THE MAGAZINE OF WALL STREET

JANUARY 24, 1931

How Far Can the Market Go?

By A. T. MILLER

America's Place in Re-financing the World

By GEORGE E. ANDERSON

Industries That Will Lead in Recovery

By MARSHALL M. BROWN

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THE MAGAZINE OF WALL STREET
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WITH THE EDITORS

How To "Anticipate"

THE largest share of investment gain almost invariably goes to those individuals with the most foresight — those who, by some fore-knowledge or shrewd and accurate judgment, are able to buy or sell a little before the public as a whole does so. In other words, it is the investor who soundly anticipates what is going to happen that buys his bonds when they are at the lowest and income is greatest, or who sells his stocks before it is generally known that some apparently unrelated development has drastically affected the earnings of his company.

For this reason it is true that the directors, executives and bankers of a company are in a position to operate most successfully in their own issues. They know what orders are on the company's books, what inventory gains or losses are to be taken, whether the profit margin is about to expand or contract, what current earnings are and what the dividend policy will be and, what is most important, they know these things before they are disclosed to the world at large. Indeed it is this knowledge and the resulting action by thousands of various insiders, each operating in the stock of their own companies, which in mass effect gives the market its well known ability to anticipate business by several weeks or months. Actually the market is not anticipating at all but really reflecting only current conditions that will not however be evident to everybody for some time to come.

Now obviously all investors cannot be insiders and therefore cannot benefit to quite the degree that those closest to a company can, but as previously pointed out—a reasonable degree of alertness to current developments and their correct interpretation as to the effect on future conditions will still place such an individual several jumps ahead of the general public.

We are in a period now when the market can be expected to anticipate the trend of business development only a short distance ahead but for this reason it is increasingly important to keep well posted. And this does not merely mean watching earning statements for these are past records but it means a closer observance of all news developments that give a clue to business ahead. It means studying not only the prospects of the companies in which you are interested but broad business developments — commodity prices, money rates. Moreover it is more and more important that the successful investor expand his view and consideration to include not only national but world affairs. There is hardly a business today that does not have its international aspects. Certainly none is immune to the more general effects of world developments.

It is in response to the necessity for the close observance and interpretation of all of these new factors, developments and tendencies, that this publication is pursuing, as it has for many years, a policy of maintaining a broad scope. It is for this purpose that its pages are designed to afford readers an extensive grasp not only of current market behavior and security prospects but also the background in general business conditions, international developments and economic trends which after all are major forces in the making of markets and security values.

It is a time to be far-sighted, alert and of broad outlook. There is no other way to "anticipate."

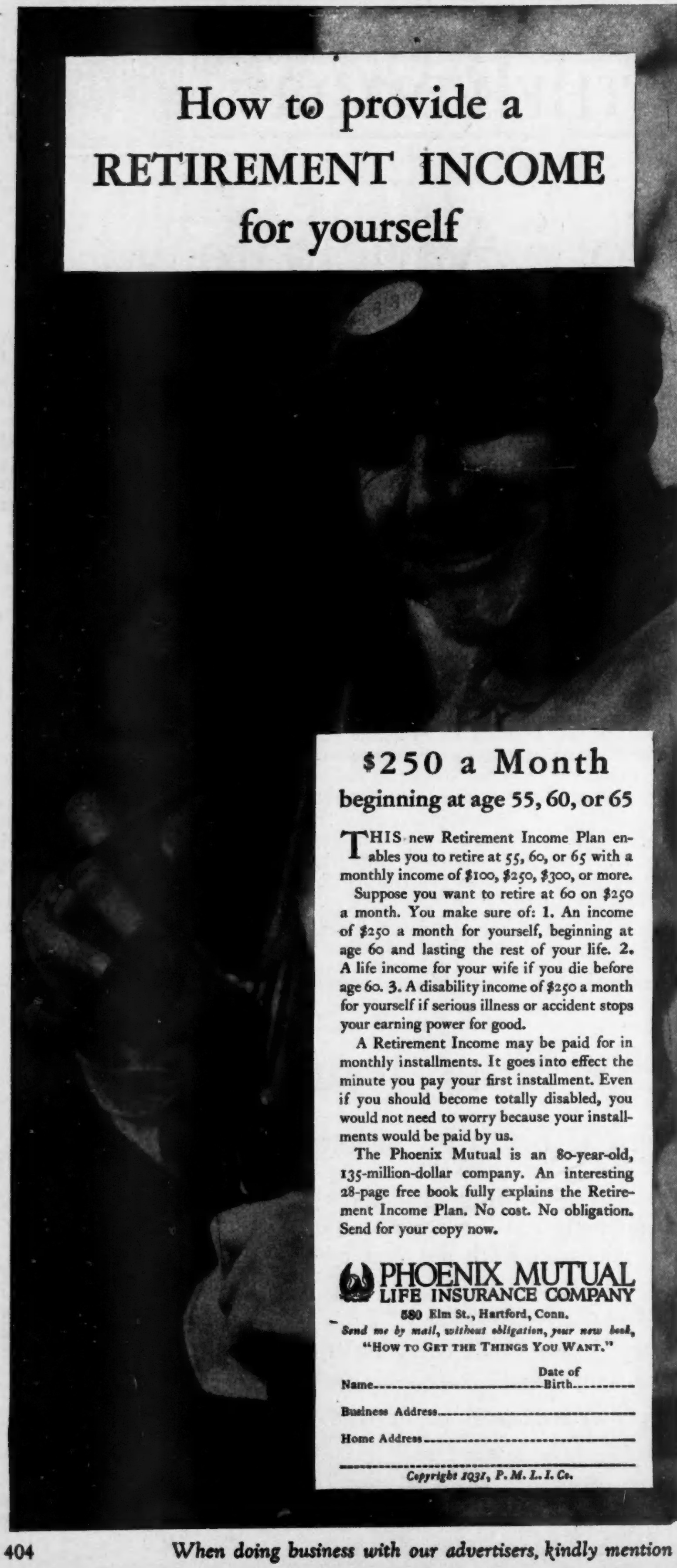
In the Next Issue

SEMI- ANNUAL DIVIDEND FORECAST

This year our dividend forecast is of unusual importance. More than the ordinary number of dividend changes are inevitable. Policies of maintaining old rates even in the face of poor conditions last year will be subject to reconsideration by innumerable directorates in the light of 1931 conditions. No investor can afford to be without this feature.

Part I in the February 7 issue will cover Railroads, Public Utilities, Motor and Motor Accessory companies.

Part II in the February 21 issue will be devoted to leading industrial groups.



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Investment and Business Trend

Needed: Jacks of All Trades—When Doctors Fall Out—Must We Internationalize?—A Rest from New Offerings—Utilities Under Fire—The Market Prospect

NEEDED: JACKS OF ALL TRADES

OLD-TIME Yankee prosperity was partly based on the propensity of the original settlers for being jacks of all trades. The typical New England farm boy could do about anything that could be done by anybody in the whole range of then known trade and industry, agricultural or manufacturing. And if he couldn't do it today, he could do it tomorrow. He took to tools, to processes and machines, like a cat to mice. The spectacle of a half million coal miners in England doing nothing because the coal business was shut down would have been incomprehensible to him. If there wasn't a job in one line he confidently grabbed one in another. If there were no jobs he made one.

Now, it seems, our workers are becoming as minutely specialized as their machines and the functions of civilization. A coal and ice company, intent on alleviating unemployment, the other day offered its laid-off ice-truck drivers a chance to drive coal-trucks during the winter. No sir, the icemen would not be coal men, even with jobs as scarce as beauties on bathing beaches. And yet with the mounting tide of unemployment resulting from the mechanization of industry, there is really a premium today on industrial versatility. Moreover, it would seem that since so much of the specialization is the specialization of the machine, and not of the operator, the latter ought to be master of many more trades than his Yankee predecessor. When machines were simpler the operator had to be more complex. It is said that any intelligent man can learn to be a first class locomotive engineer in three months. If that is so, he ought to be able to learn how to handle at least six different kinds of machines in that time. Can it be that as the nation grows older we are individually overspecializing—losing the spirit of adventure, the love of novelty and the itch for "licking a new job"? Perhaps we need to diversify our talents and abilities as we diversify our investments.

WHEN DOCTORS FALL OUT

OUR doctors of economics are as persistently falling out and leaving their patient to cure himself as doctors of medicine are reputed to be. Just as Mr. Wiggin proclaimed that President Hoover was all wrong in his business calamity cures, two rival schools of depressionistic panaceas were jamming the air of England with colliding advice. J. W. Keynes, famous new-era economist, backed by a league of business uplifters,

went on the air with an appeal to everybody to spend five shillings more a week, and thereby raise the financial tide to such a point that it would float the business ship off the rocks. Promptly came a reply from a counter league, boasting of its economic orthodoxy, and, echoing Mr. Wiggin's advice from the other side of the Atlantic, told the British public that the best way to restore prosperity was for everybody to dig in and fortify his own financial position. That advice was in effect just the head-on opposite of Mr. Keynes', for it meant that at the moment the big job of prosperity resuscitation is for everybody to cut expenses, spend less and less, and float the good ship by lightering it—instead of raising the level of the ocean.

MUST WE INTERNATIONALIZE?

SOME of our bankers are surely international minded even if they object to being called international bankers. The gold delegation of the League of Nations has made a draft report on the gold problem which is virtually a discourse on international trade as related to the gold standard and concludes that the world will have to shape its economy on international lines or else abandon the gold standard—which means any standard. Not only must gold be viewed as an international possession, but trade must be viewed as an international whole. We are bluntly told, without mentioning names. that we Americans have got to give up our idea of economic isolation and higher living standards if we want to play the international game according to the rules. Some of our bank chairmen are taking much the same position in their annual discourses to the effect that we are trying to trade internationally on the rule of heads-I-win-tails-you-lose. Maybe China and Japan were right, after all, when they pursued rigid policies of national seclusion and exclusion. Perhaps if we insist on being ourselves and living by ourselves we will have to live to ourselves.

A REST FROM NEW OFFERINGS

INVESTMENT dealers had a favorable situation for the placement of new offerings at the start of the year in the form of the usual year-end reinvestment demand plus a rising bond and stock market. This situation, they took advantage of to the tune of approximately one-third of a billion dollars' worth of new offerings during the fortnight. And in the midst of one of the most severe security depressions in history, these offerings were taken up in good style by investment demand. There is some comforting assurance presented in this development. It confirms the knowledge and belief that in spite of depression, industry can easily obtain any credit accommodation for which it has a legitimate demand and a profitable use. It may be construed in that sense as one of the constructive signs in the long range prospects for business improvement. But as far the investment markets are concerned, extensive operations in new security placement, could easily hold back recovery in values of seasoned issues. The bond market has already been unsettled by the volume of new issues and the stock market has yet considerable ground to cover in the redistribution of investment stocks still held in weak hands. Excessive capital flotation is generally conceded to have been one of the strongest forces in breaking the market fifteen months ago. The security markets need a rest at this stage to complete the redigestion of securities. It is hoped that the investment banking fraternity will not force the market with their offerings until a stronger foundation exists for security values.

UTILITIES UNDER FIRE

FORTY-THREE state legislatures are either in session now or will convene during the course of the next few months. Not all of them but a goodly proportion will concern themselves among other things with the question of regulating the activities of various public utility enterprises. There has been a tremendous pother of talk about rates, monopolies, expansion and control of natural resources now for several years. The President has recently become embroiled with the Senate over one phase of the question in his appointments to the Federal Power Commission. But so far nothing tangible has transpired, despite all the oratory and debate except possibly to center enough public interest in the question to bring it sharply to the fore in several states with the probabilities of more talk and possibly some action.

New York with its proposed "regulation of monopolies" is aiming at lower rates to household consumers, Connecticut, Indiana and Pennsylvania are contemplating changes in the constitution of their utility commissions with much the same ultimate objective as New York. Oregon goes farthest in her plan in proposing an exercise of the right of recapture under the 50-year private ownership clause. Other states may join the procession but even considering that all legislatures so-minded are successful in their supervisory and restrictive endeavors, there is little ground for apprehension on the part of public utility investors. It is to be remembered that our electric power and light are designed for some type of governmental regulation or supervision. Their prosperity has been achieved under circumscribed conditions. Moreover, most of the threats and investigations, federal and local, of recent years have come to naught and it is only a reasonable assumption that much of the menace in the current situation will come to the same end. Some rates may be reduced and some ought to be but generally speaking the base on which the utilities have rested their favorable record of recent years will remain unimpaired. If the utilities behave themselves and limit their grasp they will continue to grow unhampered in most localities.

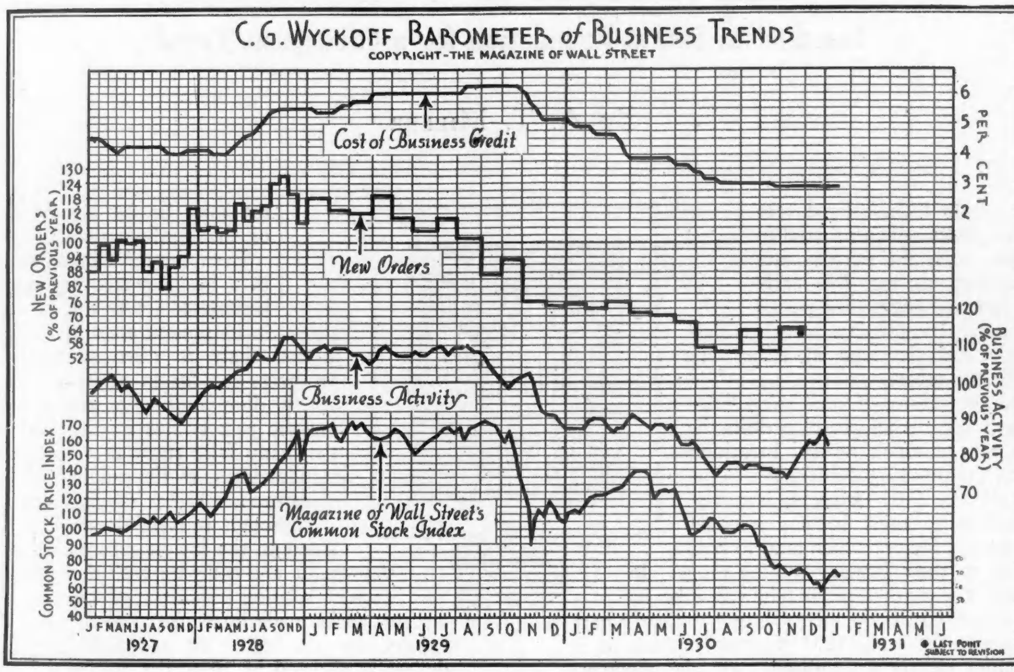
THE MARKET PROSPECT

THE current and prospective trend of the stock market is fully discussed on page 408. Readers are reminded that our latest market advices appear in every issue in the Market Prospect or in the leading market article.

Monday, January 19, 1931.

Taking the Pulse of Business

Early Weeks of the Year Fail to Register Material Gains — Slow Recovery in Long Range Prospect



BUSINESS trends are seldom clearly defined in the opening weeks of any year, and the current month has so far been particularly lacking in significant indications of what is before us. We do know, however, that the rate of business activity is considerably behind the corresponding period of 1930 and the recorded reaction in the upward trend of our curves is indicative of some postponement in substantial recovery. Optimistic sentiment has received a setback which is reflected in the market's recent behavior. It is, of course, too early to estimate how far the same feeling has extended itself in buying operations; but for this reason it is believed that the next point on our new order curve will be of unusual importance, as affording a clue to the probable course of business during the next few months. The exceptionally large increase in the unfilled orders reported this month by the U. S. Steel Corporation is not altogether convincing, since it may have resulted from the subnormal rate of previous operations rather than from any material gains in new business. Other industries, of which the automobile is a conspicuous example undertook to discount the usual post-holiday increase in demand by speeding up operations two months ago and hence, cannot be expected to be very heavy buyers of new equipment and supplies in the near future. The oil industry has checked expansion and electrical equipment manufacturers have not the same backlogs of earlier months. On the other hand, railroad equipment shows signs of some quickening, and cotton textiles are more active.

The past fortnight was characterized by extreme ease in the money market. Following reduction in the New York Federal Reserve rediscount rate to 2% there has set in a heavy return flow of currency and deposits withdrawn during the holidays, with consequent lowering of interest rates to the lowest level witnessed in years, and a reduction of security loans to the lowest point touched since the market crashed. This ease in the money market which has hitherto been most conspicuous in New York, especially in the instance of short-term loans, is spreading to other cities and to borrowings of longer maturity. As was to have been expected, renewed weakness in interest rates has served to check the long decline in bond prices, but is not a particularly favorable omen for the nearby revival of an active pace in business.

The current tendency of all of the curves that make up our barometers when taken together, clearly emphasize that such recovery as business will experience in the near future will be of a moderate variety, and while such revival is no doubt in prospect, it may be somewhat slower in its manifestations than has been commonly believed.

How Far Can the Market Go?

Obstacles Still Stand in Path of Stocks — Cure of Various Fundamental Ills in General Business Essential to Sound Foundation for a Change in Trend

By A. T. Miller

IN spite of the technical recovery in stock prices which ushered in the new year, the performance of the market during the early weeks of January suggests a period of considerable irregularity before a definite price trend develops in either one direction or the other.

That the appearance of such irregularity tends to discourage trading and permits the market to take a much needed breathing spell during the resulting dullness is a hopeful sign. In the final outcome, however, external influences must become stronger than the internal factors which tend to hold down prices to their January trading range. In other words, the market ultimately will take its cue from industrial developments during the early part of the year or the early 1931 business outlook as it becomes more clearly crystallized. At the moment, however, the influence of the business situation on the stock market is not impressive. Other factors besides business, nebulous as they are, seem to weigh pretty evenly, with a balance if any, in favor of further drifting of stock prices for the immediate future.

Annual Reports to Come

If the market is to take its cue from external factors, there would be a good deal of practical value in an appraisal of all factors—favorable and unfavorable—as they exist at the moment. On the unfavorable side, we might start with the year-end corporate statements which have begun to make their appearance and which will undoubtedly be a rather continuous stream of "bad news" to be poured into the financial district during most of the first quarter of the year. There will be exceptions to the rule, of course, but we know enough about corporate activities and earnings last year to expect that these annual accountings to shareholders will not be very encouraging. One of the mitigating circumstances as far as unfavorable annual statements are concerned is the very fact that they are well known in advance and the financial community is prepared for the worst.

If the "bad news" hanging over from last year's operations can be further offset by more optimistic reports of trade developments during the first quarter, then we may expect their market influence to be rather negligible. Sentiment concerning industrial prospects during the earliest months in the year, however, is highly mixed. At best considerable irregularity will exist throughout the industrial structure of the country in its entirety—and this factor may be set down in the list of the "unfavorables."

Even the most confident believers in a business recovery during 1931 hesitate to set a date for its appearance. In its present state, the stock market is not likely to discount better business prospects too far in advance. It has had several disappointments in this regard during the past twelve months and has made too many false starts to work up much of a following with the public, until the prospects become rather tangible ones.

Although brokers' loans have been deflated to the lowest records since the 1921 depression, and compare with that period in their present relation to values of listed stocks, loans against stocks made by banks, directly with their customers, are still high. At approximately 7½ billion dollars at the end of 1930, the collateral loans of the reporting member banks stand close to where they were at the height of the bull market in the Fall of 1929.

These particular institutions, representing the larger and stronger establishments in the banking system, have probably a more favorable experience than the thousands of smaller banks whose activities are not covered in this weekly report to the Reserve officials. Already the strain of declining security values and the resulting impairment of collateral loans has been seen in suspensions among the smaller banks throughout the country and a few larger institutions, which did not enjoy sufficiently adroit management to prevent "frozen" resources. The liquidation of these institutions has undoubtedly contributed a good deal to the offerings of securities which the market was forced to absorb during the second half of the past year. In the portfolios of all of the banks throughout the country, there are probably some fifteen billion dollars' worth of collateral loans outstanding, which must be recognized as a potential source of liquidation and an obstacle that the market must push over in any major advance that might be attempted.

Fundamental Conditions

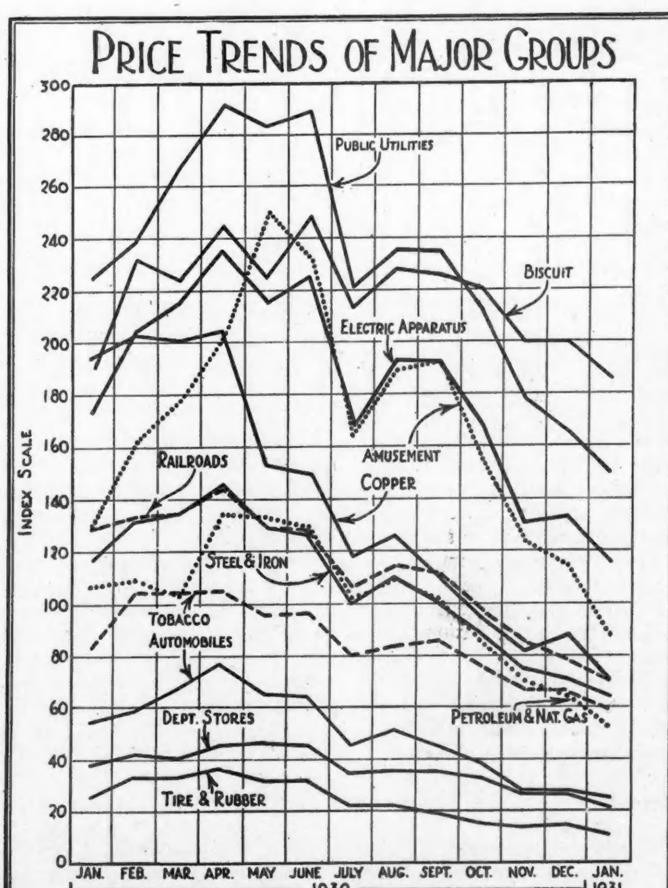
Another discouraging factor in the market prospects for the immediate future is the fact that many of the fundamental conditions which precipitated the depression have not been eliminated or improved. The foreign trade outlook and the causes of the international business depression which destroyed trade last year show little improvement at present. The perplexing problems of war debt settlements have been rendered more difficult by falling commodity

prices throughout the world. Trade barriers still extend skyward, in the form of tariffs and political instability throughout the world. At home unemployment is more than a momentary condition and seems likely to continue as a factor in our prosperity as long as industry itself is struggling with overcapacity. Agricultural prospects are so closely identified with world growing and marketing conditions that improvement in the position of this large section of our population rests on hope rather than tangible factors.

A Potential Stimulant

It is pleasant to assume that industry has benefited, by and large, from the lower pace of operations in 1930, in the sense that production of goods has been kept in line with the reduced demand of the markets while a healthy back log of real wants and needs of consumers accumulate. Given some adequate stimulus, it is quite likely under such circumstances that numerous lines of business would find buyers scrambling into the market with orders to fill long postponed needs. Security markets would unquestionably be quick to reflect any such development in both brighter sentiment and better buying. But even then, we would still have with us the various domestic and international factors enumerated above that played a prominent part in calling the halt on industrial activity and corporate profits a year or so ago. The market will have a really sound foundation, only if and when, the underlying causes of the recession are eliminated or at least mitigated.

The favorable factors in the current stock market situations, on the other hand, are largely financial factors. Security prices must certainly be conceded to have discounted to a large extent, the general shrinkage of corporate earning power during the year 1930. This process of discounting, furthermore, has not been very discriminating either. For example, corporations which, during the past year, increased or sustained their net profits for stockholders find their shares suffering from the general decline in stock values in common with corporations that made a relatively poor showing. As a matter of fact those particular issues which resisted the decline, stand out as prominent targets for the bear party in this kind of a market and are all the more vulnerable because of liquidation of long stock by holders who seek funds for reinvestment in more thoroughly deflated issues.



The shares of corporations, whose earning power has been severely impaired by the depression, are being appraised at present by a price earnings ratio projected under subnormal conditions. Many of such issues, in other words, are being priced on a basis of their estimated earning power in 1930—an admittedly unfavorable period. There is much to be said for this method of appraisal, in fact, as long as there is no definite assurance of improvement for the present year. Any measure of stability in general business conditions, however, could be expected to focus a little more attention on average earning power of these equities in previous "normal" years, and thus present a more favorable price earnings ratio.

No Money Panic

The present stock market depression stands out prominently in financial history as one of the few, if not the exclusive market decline, which was *not* accompanied by a money panic. For this we can thank the existence of the Federal Reserve System (non-existent in the 1907 panic), and the excessive supply of liquid capital (non-existent in the 1920 depression). Short term money rates are at the lowest levels known to the majority of the current stock market participants. Favorable credit conditions have already been reflected in the bond market since the turn of the year and the ample supply of credit available for investment has been instrumental in the absorption of a large amount of new investment offerings. The successful offering of about a third of a billion dollars' worth of new issues within a fortnight, during the tail of a major stock market decline is without precedent. Neither business nor the investment markets will be deprived of capital when the time arrives when additional credit is needed to pull both of them out of the rut into which they have fallen.

There is still a good deal of "slack" to be taken up between short term money rates and bond yields. It is not unreasonable to anticipate that from a purely investment standpoint, the bond market will respond to the favorable credit factors more vigorously than the stock market. Although there is evidence of investment buying of stocks (in for example the continued reduction of brokers' loans) and capital is available in abundant supply for this purpose, buyers still lack confidence in the price trend for equity securities. That potential stock buyers with capital intact are

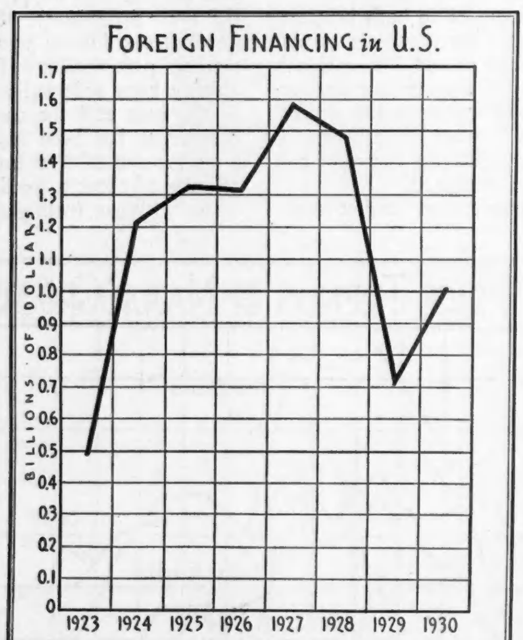
(*Please turn to page* 460)

Must American Investors Finance the World's Recovery?

Close Discrimination Will Characterize Foreign Bond Buying in the Face of Probable Extensive New Offerings During 1931

By George E. Anderson

In the year 1930 the world drew upon the money market of the United States to the amount of $800,000,000 in round numbers,—not so much as was wanted nor so much as American investors, under normal circumstances, were willing to lend; but quite a respectable amount for all that.



What the drafts upon the United States, as the world's great international bank, will be in 1931 remain to be seen, for foreign financing in this country in the new year is to depend almost entirely upon close discrimination in security values. The sky is the limit in the way of opportunities for the export of American capital in this form, but in no year in recent history has there been such need of, or so marked a disposition toward, discrimination as is required and as will probably be displayed in the next twelve months. Developments so far in the year have shown a distinct improvement over the closing months of the past year both in domestic and foreign issues and the improvement in the sorely stricken Latin-American issues and in German reparation bonds has been especially notable. Nevertheless 1931 has not yet reached its stride and the bond market, especially in foreign issues, is much more hesitant than recent improvement might indicate.

After all, improvement in bond prices in general, and especially in Latin-American and German reparation bonds, has yet a long way to go before prices reach a reasonable and justifiable level. The many inconsistencies in current prices of comparable foreign securities indicate that the present situation is uncertain and more or less psychological. It is largely a reaction from the experience of 1930.

Foreign Financing Checked in 1930

In the early months of the past year estimates of probable financing by other nations on the American market indicated a total of over 1,400 million dollars, almost equally divided between Latin America and the rest of the world. The first half of the year justified these estimates, public offerings of foreign governmental and approved corporate securities on the American market for the first six months as reported by the Finance and Investment Division of the Bureau of Foreign and Domestic Commerce, having amounted to 659 million dollars, or at a rate which promised the record year in the history of such financing in this country. Untoward events in Latin America, Germany and Australia, however, halted the movement in mid year. The total for the year, including a preliminary estimate for the last quarter, was $802,976,154 of net nominal new capital with $204,780,060 of refunding capital, Latin America having obtained less than a fourth of its anticipated financing, although the rest of the world had obtained practically all that it had expected to obtain. Nevertheless the gain over the record of 1929 was substantial and promised a renewal of the steady rise in foreign security prices and the volume of foreign security trading which had commenced in 1924 and had only been interrupted by the high price of money in the United States in the latter part of 1928 and during 1929. The fly in the ointment lay in the fact that the last half of the year showed a drop in the graph curve which reached its lowest point in the last quarter during which such financing was in smaller volume than in any similar period in the past eight years.

Abundance of Money But Little Credit

Whether this curve will rise materially in the immediate future, however, is a serious question. There is an abundance of money in the United States and there is an abundant demand for it in other countries but the two cannot come together until there has been a reappraisal of foreign

bond values. The brutal truth is that the credit of most of those nations, with the exception of Canada, which have been the heaviest borrowers in the United States in recent years has been impaired by the events of the past seven months and American confidence in foreign bonds has been shaken. Renewed buying must and should await a clarification of the international political situation.

There is also no doubt that foreign financing in 1927 and 1928 was overdone. Many nations in Latin America were permitted,—one can almost say encouraged,—to borrow more than was good for them. So long as the international balances of payments of these nations were maintained by good prices for their exports there was little difficulty although signs of the ills of inflation were apparent even during the lending period. With the collapse in the prices of the exports which are the foundation of the international economic relations of these nations came a realization of the fact that the service of these excessive loans was a very difficult matter. Deflation in the countries themselves, caused largely by the cessation of the flow of gold, or gold exchange resulting from the loans, added to this difficulty. This increased difficulty has taken most of these nations out of the finance market save for the one purpose of securing funds to meet their foreign obligations. In this line their needs have increased.

Limited By Present Conditions

The most optimistic estimate of the situation must recognize the fact that under present conditions foreign financing in this country in the immediate future is limited to those countries, states, municipalities and corporations whose credit is unimpeachable and whose financial condition is such as to promise adequate and safe servicing of loans. These limitations reduce the list of possible financing efforts in at least the opening months of the current year to rather small proportions,—practically, in fact, to Canada, some parts of Europe, and Japan.

It is anticipated that Canada will continue its borrowings at substantially the same rate as last year, the first important offering of the new year being a $30,000,000 issue for the province of Ontario. The economic situation of Japan has greatly improved in the past few months and this may lead to some important financing for industrial undertakings.

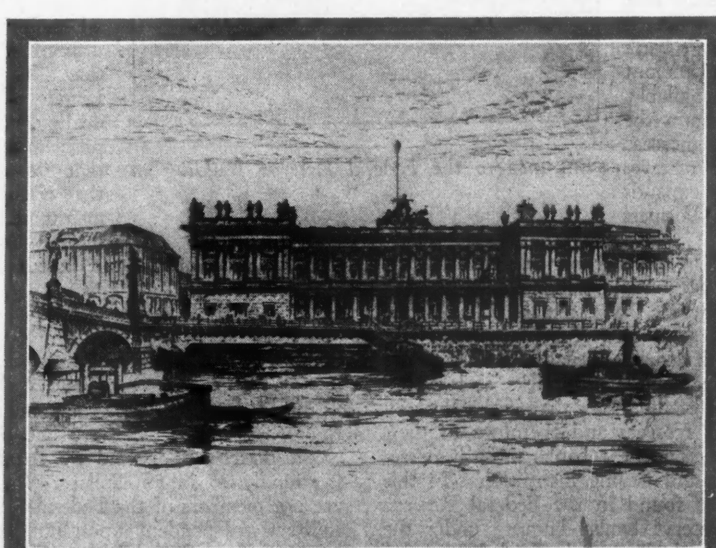
In Europe the prospect is very uncertain. It is generally felt by financiers that with commerce and industry at low ebb, there will be enough idle funds to take up gilt edged offerings without recourse to the American market; and only gilt edged offerings are wanted at present. On January 9, a 60,000,000 kroner 5% loan for the Swedish Match Company was brought out in Sweden itself in marked contrast with the $61,000,000 of issues placed by this concern in the United States during even the unfavorable conditions in a part of 1929.

It is generally understood that Signor Mussolini's recent peace message to the United States was in furtherance of negotiations for loans to Italy both for governmental and industrial purposes. Municipal and corporate requirements in various northern European countries may be considerable. There is some probability that Spain's long struggle to stabilize the peseta will result in the need of foreign financing in which the United States will have a considerable part. German government demand is stilled for the moment and there will be no German reparations loan on the American market for some time to come, for several reasons. Among them is attitude of the German government toward foreign municipal and state loans which at present is unfavorable. There is prospect of some German industrial financing but it will probably not be so large as in the past year.

Financing May Take a New Direction

It is quite possible that some of the financing later in the year will be in directions not heretofore anticipated. Pressure from China for a loan to enable the government at Nanking to reorganize its finances, disband the larger portion of the two and a half million troops, more or less, now afflicting the country, and perhaps to lay the foundation for the gold standard for its currency, is becoming appreciable and is met in Washington, at Ottawa and in the capitals of other silver producing countries with something more than ordinary sympathy as the result of the desire of silver country statesmen to dispose of some of the world's floating stocks of silver to China. While China is already in arrears on some of its loans it is becoming more and more generally realized that only a foreign loan can enable the country to rearrange its finances on a pay-out basis and it is quite probable that a loan will be arranged through international cooperation. Turkey is in a similar position. Jugoslavia is also in the market for an American loan,—in fact their name is legion. But concrete propositions at this time are scarce. Any attempt to tabulate them would be dangerous and misleading.

The situation in Latin America presents prospects in another and less satisfactory aspect. Presumably Latin America needs in the current year advances to the amount of about $550,000,000 on account of last year's hang-over. In fact its needs will be far larger. Not only has the Argentine yet to finance its railway, subway, utilities and public works program but unless its merchandise balance changes materially it will require financing to maintain its currency. Brazil's financial situation is acute. The country requires about $175,000,000 annually to serve its fixed foreign charges, and its favorable merchandise balance *(Please turn to page 450)*



From an etching by Anton Schutz

The Berlin Stock Exchange

Constructive Work to Right the Business Machine

Part II

Controlling Credit — Eighty Billion Credit Dollars Available and Scarcely Half of It in Use

By THEODORE M. KNAPPEN

CONTROL of credit is practically the same thing in this country as control of money. The great volume of business is transacted not by means of cash but by checks, which are in large part merely evidences that credit has been extended to their drawers. We literally discharge indebtedness by means of debts, bank debts. A debt is created when a bank loan is placed to the credit of a depositor. In return for the borrower's promise to repay the bank authorizes him to pay his current debts with orders (checks) on it.

Business creates credit as it proceeds. There could be virtually no bank credit if there were no individual business transactions involving promises to pay at some future time. On the other hand, the conversion of the credit that business generates into what is loosely called money, that is bank credit, depends upon the amount of such money that is available. That, in turn, depends upon the degree in which banks can increase the amount of their cash reserves as the demand for money expands with the extension of business activity.

Ewing Galloway Photo

Entrance to the Federal Reserve Building in New York

With only $4,500 million of hard money in circulation in a country which does a thousand billion dollars' worth of business a year, it is obvious that commercial banks can not accumulate a great deal of cash from depositors. As a matter of fact, most bank deposits actually brought to the bank by the depositor are themselves checks and drafts, and therefore evidences of credit rather than cash. Broadly speaking, to add to their reserves and therefore to their ability to put out credit money the banks must have recourse to a cash lending and issuing institution. In this country that institution is found in the Federal Reserve System and its twelve reserve banks, because under the laws all national banks, and all state banks belonging to the system, must keep their gold reserve with the Federal Reserve Banks. So, we have in that powerful system the ultimate seat of credit regulation.

The gold factor necessarily leads credit into the international field, as the maintenance of gold reserves is dependent in large degree upon international trade. At present, owing to the persistent effects of the war upon trade between nations, the world's gold supply is unequally distributed among them, as France and the United States have between them about 60 per cent of the world's monetary gold.

This situation leads to proposals for pooling the world's gold, and so brings the last seat of authority over credit back to some international institution, which presumably will be the Bank of International Settlements. There is also the fear that ultimately the world may not have gold enough for adequate reserves unless it is all mobilized, and so maximally utilized, through international action. The gold delegation of the League of Nations, which is now dealing with the international gold problem even goes so far as to say that its ultimate solution means that if the gold standard is to be maintained the world must have an international economic system instead of independent and hostile national systems.

A Huge Credit Reservoir

Passing over the international aspects of the control of credit, and returning to the American scene, we find that the total volume of credit directly supported by the Federal Reserve System is roundly 35 billion dollars. Including the banks which are not members of the Federal Reserve System, which are indirectly dependent upon it, the total volume of bank credit is around 60 billions. It is estimated by competent bank economists that the present holdings of monetary gold in the United States would permit of expansion of credit

to a total of 80 to 100 billion dollars. At present the twelve Federal Reserve Banks are using only about half of their nominal credit, however, their gold reserves standing at about 80 per cent of the Federal Reserve notes outstanding, whereas they might lawfully be as low as 40 per cent. Instead of the approximate billion now issued to member banks the amount could be increased to about 4 billion dollars (the amount of the monetarily available gold), which would enable the member banks theoretically to increase their deposits (loans) by 30 billion dollars without any decrease of the legal reserve ratio, which is admitted to be unnecessarily high.

Since the present business depression began reserve bank credit has been curtailed by some 600 million dollars, and member bank commercial loans by near two billion dollars, while their bills payable and rediscounts at Federal Reserve Banks have fallen in a year and half by 800 million dollars.

Increasing Gold Reserves

On the other hand, open market operations, in the purchase of government securities, have put out something over 400 million dollars, but acceptances have decreased by almost 150 million dollars. Money in circulation has declined by 400 million dollars. Yet, the total loans and investments of the Federal Reserve member banks have fallen only about 400 million dollars during the last year. At the same time the United States stock of monetary gold has gone up by 300 million dollars, which means an increase of 3 billion in potential credit. As the rediscount rates have been at a low level through the past year and are now at the record minimum it would appear that whatever decrease there may be in outstanding bank credit in the United States is not due to present Federal Reserve control.

The Federal Reserve position seems to have followed that of member banks. The curtailment of credit has proceeded from them. But while they are certainly more careful in their loan commitments than they were during the boom period, there is little in current bank statistics to indicate that the business depression is related to conscious credit restriction. The curtailment of business volume being so much greater than the reduction in the volume of credit, it is more reasonable to say that instead of credit being controlled it has regulated itself. The purpose of the Reserve system, on the contrary, has evidently been to expand credit, as reflected by its unparalleled low discount rates and its open market operations during the first half of 1929, although during the latter part of the year it has been stationary in the latter respect. The public banks are apparently without any forward looking policy, their course being one of momentary expediency, largely determined by apprehension. They are not encouraging business, and their timorous lending practices may be checking it. They are waiting for the patient to cure himself. The preponderance of hearsay evidence indicates that the banks will not loosen up much in response to such loan pressure as exists until business becomes more insistent. It may, therefore, be declared that so far anything the central credit control instrumentality of the country may have done to stimulate

(Please turn to next page)

Better Regulation of Mercantile Credit

By Dr. Stephen I. Miller

Executive Manager, the National Association of Credit Men

It is through the exchange of personal or individual credit for bank credit that the nation's banking system, from the Federal Reserve Board down, connects with the mercantile business and the average citizen. The merchant creates credit by granting it to his patrons; when he transfers his personal credits to the banks he taps the institutional or bank credit system of the country.

The control of mercantile credit begins with the banker. As he is narrow, fair or extravagant, so mercantile credit is starved, normal or excessive, and business activity is correspondingly affected. Yet modern business cannot be transacted without credit—it is a credit-made system. Broadly speaking, however, the losses of mercantile credit fall on the merchant,—the banker is usually duly protected. Putting it in another way, the merchant bears the losses and is responsible for their existence to a very large degree. The total amount of the retail sales of the country has been put at $60,000,000,000 a year, of which $40,000,000,000 is on credit, the loss in the credit element being more than a billion dollars a year. That loss is just as real as if the same amount of cash were lost or stolen, the total is equal to the Federal Reserve credit of Reserve banks. There is obviously great latitude for improvement. This must be sought through:—

(1) Orderly control of the innumerable units of distribution that are eternally entering the retail field. The average amount of the turnover of each retail unit is so small as to jeopardize its existence from the beginning. The responsibility for this control rests with the credit managers of the primary distributors. Inefficient retail units, which become derelict to the extent of as much as 60 per cent a year, destroy the economies of production and primary distribution.

(2) Such a general rehabilitation and reorganization of business as will make credit control more effective. The nation's bad debt losses are yearly of greater amount than the value of the wheat crop.

(3) More effective administration of the bankruptcy laws. The costs of bankruptcy administration are excessive, but it is more important that fundamental measures be taken to control bankruptcy at the source. As now administered our bankruptcy laws permit the most disgraceful laxity. In this country 98 per cent of the bankrupts are discharged and the repeaters number tens of thousands; in England only 2 per cent are discharged.

(4) Credit terms should be standardized. Competition in the granting of credit terms leads to price-cutting, ruinous retail competition and huge credit losses.

business through easy credit has been without results.

Of course, the banks can accomplish little beyond creating a favorable environment if business itself is not aspiring and expanding. While bank credit affects individual mercantile credit the reverse is also true. If producers and distributors are holding the check rein on credit, which they are undoubtedly doing, the volume of credit coming to the banks for mobilization is limited. It is the old and never solved problem of whether the egg precedes the hen or vice versa.

Two Schools of Thought There are two distinct theories of credit control. One holds that it should be merely responsive, that is, that when business demands more credit the banks should promptly respond, and that they passively follow it when it recedes. The other theory is a more militant one. It holds that the control of credit should always be exerted *in the direction opposite to that business is taking*. According to it, receding business should be encouraged to about-face by low rates and the pushing out of money, while booming business should be warned and sobered by stiffening discount rates and adverse open market operations. The adherents of this theory contend that money must be made manifestly and substantially plentiful if price recessions are to be checked and their paralyzing effects eradicated. An elevator full of wheat, they say is not likely to increase the consumption of bread among people whose means are limited until it is put enticingly on the counters of grocers in the form of bread. Unlimited credit in the banks is not enough to increase consumption, it must be offered. Their opponents argue that money pushed on lethargic business will be dissipated, that the best use that can be made of idle resources in the off years of business is to build up the reserves that will widen the loan base when business resumes in its own good time.

Bank economists widely disagree on these matters but it is notable that Paul M. Warburg says in his book on the Federal Reserve System that while a change of the discount rate has a wider effect on the sentiment of the business community than open market operations, the latter have more immediate and definite effects, "because such operations increase or decrease the reserves of member banks and thereby lengthen or shorten the reserve base, which controls the size of the inverted pyramid of bank loans that rests upon it."

It is evident that low discount rates have had no visible effect as yet on the business trend. If the present "dead center" of business should continue much longer it will be incumbent upon the Federal Reserve System to try the effects of a good dose of cash-tonic, administered by the purchase of government securities in the open market.

The Federal Reserve System has demonstrated that it is a first-class engine for putting out financial conflagrations, and preventing them. Its efficiency is so well known that the fires go out the moment the alarm is turned in. During the crisis of October and November, 1929, it was not even necessary to turn in a second alarm for help from the system. It is worth remarking, however, that it is to be regretted that the enormous resources of the system have not been used to save the many worthy ones among the thousand banks that have failed within a year. The moral effect of avoidable failures has been a potent cause of the prolongation of the depression.

It remains for the system to show what it can do in a time of business lethargy and stagnation, which we have now arrived at after a long period of readjustment, to show

(Please turn to page 460)

Credit Conservation Not Retarding Business Revival

By FRANCIS H. SISSON

Vice-President, Guaranty Trust Co. of New York

I do not think credit conservatism is retarding business revival to any particular extent now, as I feel confident there is ample credit for any legitimate borrowings. The strong banks are in ample funds to meet any legitimate demands made upon them. Weak banks which feel they must protect themselves against possible runs are naturally reticent about overloading, but even at that I do not believe there has been any serious restriction of commercial credit, particularly on rediscountable paper.

Bankers' Acceptances an Important Credit Factor

By ROBERT H. BEAN

Secretary of the American Acceptance Council

Bankers' acceptance credits have always been the most economical method of borrowing, invariably below commercial paper and as a rule below the cost of direct borrowing from banks. Bankers' acceptance financing has not suffered from inflation possibilities or abuses as much as direct borrowing. This is largely due to the fact that credits are arranged as a rule for specific transactions for a limited period and are of a self-liquidating nature. What is sometimes called an abuse in that credits may be renewed is nothing more than what would happen in direct borrowing where notes would be renewed over and over again. As a matter of fact there is less evidence of abuse in bankers' acceptance practice than with promissory note borrowing.

Bankers' acceptances are a most decidedly highly important instrument of control of the general credit situation through the open market operations of the Federal Reserve Banks. The developments in the bill market for the past year have amply demonstrated the value of acceptances in this connection.

¶ *Industries Whose Operations Will Afford Greatest Gains in the Volume of Employment Will Contribute Most to Business Recovery.*

¶ *Which Ones Will Reach Levels Entitling Them to Investment Consideration.*

Pillars of Prosperity, 1931 Model

By Marshall M. Brown

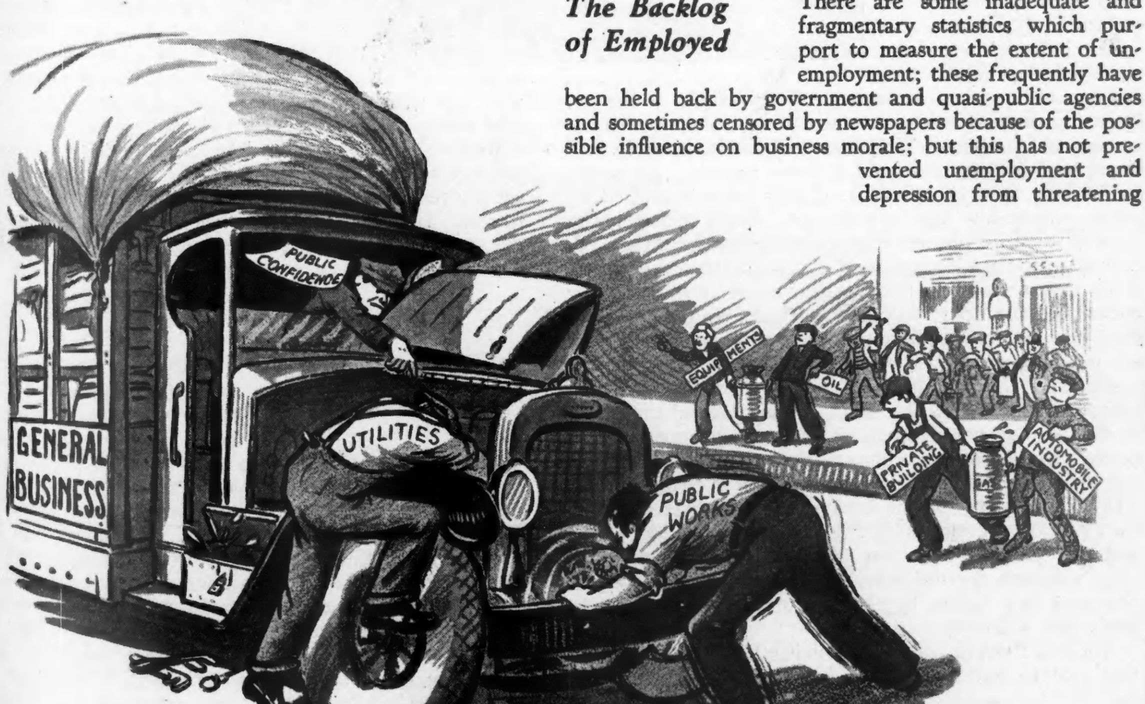
IN all the elastic and complicated recipes for creating that delectable economic delicacy known as prosperity, four ingredients appear in liberal quantities: natural resources, capital, confidence and employment.

Natural resources, land, minerals, water power and lumber, America never has lacked. We have more liquid capital per capita and more fixed capital per unit of population than any other nation in the world; money for employment in sound ventures is both abundant and cheap. Our recent lack of confidence gradually is being overcome; but there are five million or more Americans who lack jobs, and therefore have no salary or wage income, and probably an even larger number who are able to work only part of the time and consequently do not enjoy a normal buying power.

Idle factories and bread lines are a new thing to this generation. It has witnessed minor economic maladjustments, even the rapid deflation of 1920-1921; but only the modern patriarchs have a vivid first-hand recollection of the long depression of the 90's. In comparison to our neighbors across the sea, we are prosperity-spoiled. The events and conditions of the past two years shock us. For weeks at a time men who have a reputation for poise and vision have been addled and afflicted by a perverted perspective.

The Backlog of Employed

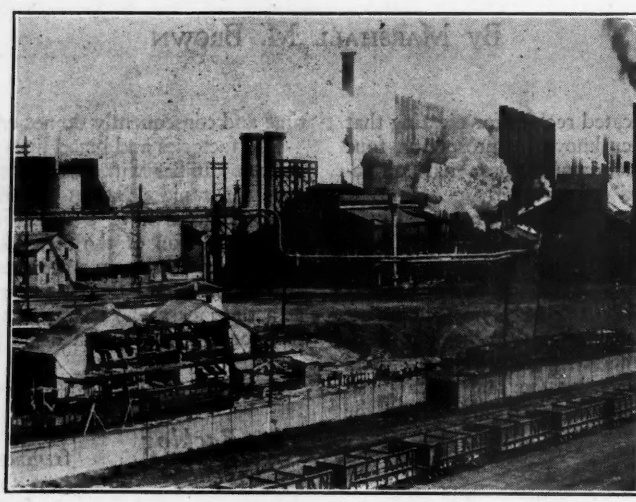
There are some inadequate and fragmentary statistics which purport to measure the extent of unemployment; these frequently have been held back by government and quasi-public agencies and sometimes censored by newspapers because of the possible influence on business morale; but this has not prevented unemployment and depression from threatening



the monopoly of prohibition as the chief topic of casual conversation and parlor discussion. It is time for someone to point out with unfailing emphasis that *there are five or six people gainfully employed for every one who is out of a job.*

Many Always Employed

Even in a period of what we have come to call deep depression, there are numerous industries—large employers of labor and large payers of salaries—which are *pillars of prosperity.* Food production and distribution, employing more labor than any other industry at all stages of economic activity, is quite undisturbed. As a whole, the railroads are functioning as usual, albeit with less freight, and millions obtain their livelihood from them. No public school teachers are dismissed. Our army of public officials is undiminished. The telephone and public utility companies do not let their help go. Most stores maintain a full force of clerks. Institutions such as banks and insurance companies usually curtail very little. Even the industries which have the most temperamental habits, and which are prime offenders in creating unemployment, maintain at least skeleton forces. Summing it all up it is surprising that so many people should find work even when business is "flat."



The bulk of unemployment comes from the "prince and pauper" industries. The building trades are large contributors. Steel, copper, automobiles, lumbering, textiles and machinery lines have to dismiss labor in dull times, working day and night in boom periods. As a matter of fact, most of the slack of depression is created by comparatively few lines of endeavor. Small increments to the sum-total of idleness may be contributed by the "pillars of prosperity," because of the contagion of retrenchment spread from the less healthy members of the trade circles and the desire to offset reduced earnings by lower expenses, but such additions to the army of unemployed are not important.

To make this fact more striking a chart has been prepared to supplement the text. While the schedule presented in it is not all-inclusive, and the phenomena suggested may not always occur exactly as described, stimulating thought should be provoked by even a casual perusal. The vast majority of the breadwinners of America have been employed even during this winter's severe depression; and the difference between what we call prosperity and what we name depression really is created, in so far as employment is a factor, by the fate of the workers in relatively few industries.

But this thought does not minimize the proved principle that our modern civilization is exceedingly complicated; and like any complicated machine, failure of one part to function properly, reduces the efficiency of the whole unit. Whether unemployment in a few industries is the cause of the depression, or the consequence of factors which brought economic distress to plague us, industrial convalescence must be predicated on a reduction in the number of idle, or semi-idle, breadwinners.

From Tragedy to Farce

During the earlier stages of a business relapse, the period following what Professor Taussig so eloquently dubs the premonitory chill, each succeeding untoward development seems to bring in its train further complicating consequences. Months pass before there are any visible benefits from the correctives so ruthlessly applied by automatic checks and balances. The medicine makes the patient steadily worse, until the population, part of it actually in distress, part of it trembling in fear of distress to come, and part of it almost untouched, but awed by sympathy for the suffering on every hand, begins to think that depression is the nearest thing to continuous and perpetual motion that ever came about.

Just as all hope is lost, and as faith in recovery seems to be ebbing away, business usually ceases to get worse. The statistics begin to show resistance to further declines in trade indices; here and there modest, almost imperceptible and largely unconvincing indications of improvement are reported. Then, those who were most fearful, half disappointed and half unbelieving, begin to question their former extreme pessimism. After a comparatively short period of "flat trend," improvement begins to be clearly evident. The patient has passed the crisis. The period of convalescence is at hand.

In the depression drama, the *complicating forces* in the early acts of the play work up to a *climax;* and in the last act the *resolving forces* untangle a snarled mess of circumstances. In the first act, every depression is a mystery; in the second act it becomes a tragedy; and in the third act it all turns out to be a farce.

Unemployment Its Own Cure

Casting aside figurative language, let us examine the simple cause of idleness in those few industries where unemployment is likely to be acute during a business crisis. Spurred on by a market which eagerly has absorbed production and pressed for early deliveries, mills, mines and factories glut consuming channels with goods and commodities, maintaining their great productive momentum for some time after the true saturation point has been reached.

The wheels of industry have to stop until the consumer catches up; the cessation of activity slows down the consuming process; and invariably the produced surplus turns out to be larger than at first estimated. The lack of confidence, created by the necessary remedies applied, makes the breadwinner who is fortunate enough to retain his job buy as sparingly as he purchased extravagantly during the boom.

In time the surplus of manufactured goods is absorbed,

because the population consumes and wears out more than it produces. Shelves become bare, shoes and clothes wear out, the urgent desire for luxuries returns, the old automobile begins to look ancient and act decrepit, manufacturers seek new machinery to bring production costs down to a lower price level, a surplus of capital encourages the initiation of new enterprises, and the recovery becomes cumulative as it gains momentum. The shortage of goods creates a demand for the surplus of commodities, and the circle of improvement gradually is completed.

For the most part, those who have been gainfully employed throughout the whole depression supply the buying power to move the surplus as well as create the demand for new goods bringing about the recovery.

Who are these "pillars of prosperity"? Glance at the first column of the chart. During the depression period workers in the following industries have enjoyed a quite constant buying power, even if they have not felt the urge to buy as liberally as formerly: railroads, public utilities,

(*Please turn to page* 456)

Employment Fluctuations in a Trade Cycle

	PROSPERITY KEY	DEPRESSION	RECOVERY	BOOM	DECLINE
Farm Labor	**	Usually plentiful and efficient. Well taken, but poorly paid.	Less plentiful and efficient, with wages slightly higher.	Frequently scarce and always inefficient, but better paid.	Supply begins to increase.
Factory Labor	††	Acute unemployment, part time and lower wages.	More work with wages a trifle higher.	Full employment at increasing wages with much overtime.	Overtime ceases and unemployment appears.
Railroad Labor	*	Comparatively full employment.	Full employment.	Full employment with much overtime.	Full employment.
Public Utility	**	Comparatively full employment.	Full employment and small increase in forces.	Full employment with some overtime.	Full employment.
Steel Mills	††	Acute unemployment, with many working part time.	Gradual re-employment.	Full employment with much overtime.	Comparatively full employment.
Copper Mining	††	Always sharp curtailment.	Gradual re-employment.	Full employment with double shifts general.	Curtailment in employment often very gradual.
Public Works	**	Usually active.	Most active.	Less active.	Quiet.
Automobiles	††	Radical curtailment with much unemployment.	Rapid recovery due to accumulated replacement demand.	Boom period usually ends before other industries.	Much unemployment.
Building	†	Slow improvement, but much unemployment.	Full employment.	Active demand for labor at premium wages.	Increasing unemployment.
Machinery	†	Very quiet.	Improvement.	Feverish activity.	Full employment.
Luxuries	††	Large percentage of workers released.	Improvement.	Feverish activity.	Rapid curtailment.
Clerical Help	††	Acute unemployment in some lines. Salaries cut.	Normal demand with salaries better.	Scarcity. Overtime pay often large. Salaries high.	Surplus and inefficient help dismissed.
Retail Trade	†	Moderate decrease in number of empolyees.	Normal demand for clerks.	Fullest employment with high salaries for good clerks.	Modest retrenchment begins.
Lumber	†	Little work.	Most work.	Curtailment.	Little Work.
Construction Materials	†	Employment subnormal.	Big improvement.	Full employment.	Most unemployment.
Chemicals	*	Some curtailment.	Improvement.	Activity.	No great decrease in unemployment.
Oil Industry	‡	Less work.	More work.	Most work.	Modest curtailment.
Railroad Equipment; Shipbuilding	‡	Demand for labor often best.	Decreasing activity.	Usually inactive.	Improvement.
Insurance; Newspapers; Dairy Products; Package Foods; Flour Milling; Soaps; Drugs; Tobacco; Government Employees; Professional Services; Teachers; Text Book Publishers; Grocery Stores	**	Full employment.	Full employment.	Full employment.	Full employment.
Clothing	†	Slight improvement toward end of period.	Active.	Most active.	Increasing unemployment.
Shoes	†	Usually improves earlier than clothing.	Active.	Less active.	Very quiet.
Fuel	*	Very small decrease in employment.	Active.	Active, but no boom.	Frequently least active.
Amusements	*	Some unemployment.	Full employment.	Full employment.	Full employment.
Paper and Publishing (other than text books); Advertising; Office Supplies; Office Equipment; Salesmen	†	Widespread forced curtailment.	Gradual recovery.	Feverish activity.	Decline slow at first, then rapid.

KEY: **Least unemployment (Pillars of Prosperity). *Little unemployment ("Secondary Pillars"). ††Most unemployment. †Much employment. ‡Trend in employment does not follow business cycles.

"Now Don't Quote Me, But—"

As Reported by the "Itinerant Economist"

Eugene Meyer as "Leading Man"

"I understand that something rather surprising has happened since Eugene Meyer became governor of the Federal Reserve Board," said a famous bank economist, as he closed the door and looked at me as if I ought to be searched for concealed weapons or evidence of a likelihood of betraying confidences. "It seems to be quite definitely established that the center of gravity of the System has shifted from New York to Washington. The record low rediscount rates had their origin in the Board, and I am hoping that Mr. Meyer may be powerful enough to compel the Board definitely to abandon its drifting policy. The time has come, indeed it came some months ago, for the Federal Reserve Banks to put a little pressure into credit, call it inflation if you will. When a balloon is deflated you have to inflate it if you wish it to take you off the ground. Credit is deflated, that is why it is so cheap.

"The gas needed for this operation is a little fresh money served up tactfully to the bankers without request. It is to be obtained by Reserve Bank purchases of government securities. Put $500,000,000 of money into the banks and they will promptly become interested in the opportunity to do something with it. Just now they act as if they had all the money they ever will see again. You can't blame them when you consider what they have been through. Our bankers have drifted into a non-loaning inertia. A sizable open market operation over the next few months would smoke them out of it. But unless Eugene Meyer is a real leader the Federal Reserve Board will continue as usual to be about six months late in whatever it does. Which means that it will take us six months longer to get out of our business torpidity than it would if banking nature were given a little boost. . . . When I think of the Federal Reserve System as it is managed on the well-known procrastination and decision-dodging policy I am reminded of a magnificant locomotive, with steam up, standing on a side track while smaller motors tug at trains that are too heavy for them. Credit regulation for the entire world is in its power—but it dares not lead."

Back to Barter and Trade

"We just lost a big contract to supply the fleet of trucks of one of the leading coal companies with gasoline, oil and grease," complained the executive of a well-known oil company,—"and why. Simply because we no longer buy their coal. Of course, we formerly consumed a good many carloads of coal a month in our refineries but when fuel oil became a glut on the market, we naturally turned to our own product for use to reduce the surplus stocks—now when we come around to renew our oil and gas contract with the coal company we find them using another oil company's products, who incidentally still purchases their coal.

That's the way it runs all through business. Buy from us or we won't buy from you. The railroads break their necks to patronize the industries along their own right of way. The paper manufacturer confines his chemical purchases to the company that uses his paper bags, barrel liners, and cartons. We are back to the basis of barter and trade of tribal days. The dollar sign is no more than the symbol of exchange and the salesman finds his place usurped by the trade-exchanging executive."

Well, so long as the price and quality are right, why not? After all perhaps it's a good thing that business is drifting to a human basis or even a primitive basis of exchange in these times. We counsel, buy from your neighborhood stores, patronize home town merchants. The world is ringing to the call of: "buy home grown or home manufactured goods first," why not buy from your best customers—there is enough trade to go round—or if there isn't there will be soon.

"Think!"

"Think" is the one inexorable rule the president of a great corporation imposes on his staff. An employee who explains a mistake by saying: "I thought the matter over carefully," etc., is never reprimanded, but if he should happen to say, "I didn't think," he has no alibi.

Thinkers Versus Managers

As I meet business and banking executives, I am struck by the preponderance of what you might call the executive-executive over the creative-executive type. This is as might be expected. The rapidly shifting American scene calls for quick decisions, right or wrong. It is a common thing for a man to be placed in a high executive position in a business that is largely, if not entirely, outside the limits of his personal experience. There are instances of decisive men at the head of great banks who were without banking experience or understanding of the fundamentals of finance when chosen. As the American banking organization

crystallizes, it may be expected that we will develop more men of the calibre of Addis, McKenna, Stamp and Montangu in Britain. A great banker who is himself developing as a thinker tells me that the lack of fundamental thinking is a real weakness in American banking. "If we had had more men of the Warburg and the Wiggin type as chairmen of boards," he said, "our banks would not have allowed themselves to be drawn into the critical position they found themselves in when the stock market collapsed; perhaps, indeed, the collapse would have been avoided. I observe that the bank executives whose institutions are most successful in the lean years are those who adhere closest to fundamentals even though they take less profits in flush times.

Discovery of Young

"Owen D. Young is an executive of the thinker type," remarked another banker. "He got where he is not because he was an electrician—which he never was —nor a merchant, which he is not—nor because he is a born leader—for he isn't—but because he could think. He was an obscure member of a law firm in Boston, and it was his duty to furnish thought, for which his superiors collected the fees, under our modern system of giving both the cash and the credit to the brass hats. One day an officer of the General Electric Company, struck by the close-coupled reasoning and lucidity of expression of one of those legal documents which usually seem to be prepared for the purpose of concealing thought, if any, said he wished to meet the man who wrote the document. Young was thus excavated from the obscurity of his back office, which might have lasted forever, but for this fortunate inquiry."

Helping Ourselves by Helping Others

An executive who insists on thought is a thinker himself, far beyond the immediate problems of his business. "Do you know," he said to me one day, "that I have formulated our foreign policy into a single sentence?" Keen to know such a sententious statement of a subject on which many ponderous tomes have been written in vain, I expressed both interest and skepticism regarding the brief. Here it is:

"Let us do everything we can for other nations that will make business for us."

That has a hard, cold sound at first—but it is not so icy when you come to think of it; especially, when you hear what our business philosopher names as some of the things we ought to do for other nations in order to help ourselves. (Also you will understand why he would not be quoted.) Here they are:

1. Join the international court.
2. Join the League of Nations.
3. Conditionally cancel or reduce the allied debts.

"The United States would help all the world by doing these three things," said the business statesman. "It is in the power of this country to maintain peace in Europe and put the world into a pacific state of mind. Nothing means so much to us as that peace shall be maintained. The chief obstacle to the development of international trade is the fear of war. Our future depends more on the growth of our foreign trade than that of our home trade. By taking steps that will benefit the world through the maintenance of peace we will be acting in our own interests. If we were in the League it would become a virtually all-powerful league for peace. Of course, most people will oppose the cancellation of the allied debts. As a mere gesture of sentimental good will I would oppose it, but if it is the solution of a problem that will rankle and irritate and deform our foreign trade for the next sixty years, and that will be a mainspring of active opposition to us throughout the world, its removal would be cheap, even at the cost of the eleven billions we gave the allies to shoot away.

"The United States is the most powerful nation in the world. We wielded that power actively in the World War—why not wield it just as actively in peace?"

The Brokers' Loan Boomerang

"I wonder why it is," said a Wall Street bank president, on don't-quote-me terms, "that there isn't more of a row over the unscientific coupling of the cash reserves of the banks with Stock Exchange credit? The way it is, the banks of this country are tempted to finance speculation long after business has reached the climax of the cycle. When cash on hand is excessive the banks put their excess into brokers' loans, when it is low they call their loans. When business slackens and commercial loans decline the spare credit goes into securities speculation. Thus the position of the banks is daily registered in speculation. It would be far better for the country and the Stock Exchange if cash adjustment were more dependent on commercial business and less securities speculation. One reason why this depression is lasting so long, is that the banks had so much at stake in securities loans which simply couldn't be called without precipitating a panic. They had to draw on other resources to protect their speculative commitments, and the cleaning up process has been long and tedious. Some day a good book will be written about why bankers grew gray during the last year —and the ultimate cause of the graying will be found in the use of the stock market as a banking shock absorber.

"But the absurdest thing I know of in the use of the Stock Exchange as an absorber of surplus capital is the way business men lent their own money to help wild speculation to hasten the end of prosperity. . . . I sometimes have trouble keeping my face straight at board meetings when I think of the stupidity of putting industrial surpluses into brokers' loans. You remember from your history that in the decadence of Rome the priests smiled cynically at each other even while celebrating the mysteries. As a priest of finance, I am willing to indulge in reciprocal smiles, but the trouble is that my solemn brethren still take themselves seriously—even after 1929."

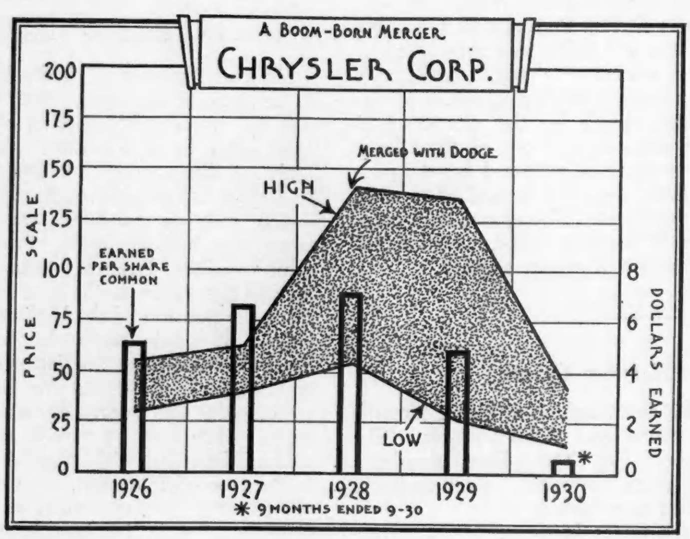
Investing in "Depression Mergers"

Bull and Bear Market Consolidations—What to Do When Your Company Merges—Strength and Weakness in Capital Set-up

Part II

By J. C. Clifford

THE first of these two articles dealt with mergers from the standpoint of the many economies possible in consolidations themselves and their effects on business in general. Here, we are concerned with the investment and market aspects of mergers particularly those of a depression origin. Mergers in themselves do not necessarily represent investment opportunities or everyone would be finding an easy road to financial independence through the purchase of stock in each consolidation just as soon as it was reported. That fortunes are not so easily won is obvious; in fact the reverse is more often true, the published report of a completed merger frequently heralding a period of acute discomfort, if not loss, to the individual investor. It is hoped to show that this unsatisfactory situation may be avoided by properly timed purchases and that the observance of certain logical stock market reactions may be turned to profitable advantage.



Real and Paper Economies

The savings in consolidation are there for all to see and there is no more fascinating pastime than putting together a merger on paper. The balance sheets and operating accounts of the various companies are entered in parallel columns. Fixed assets may then be reduced by so much and inventories and cash by so much more. This is gratifying, but the operating accounts are even more so. Expenses can be cut right and left; officers and employees eliminated everywhere, savings made on the purchase of raw materials and further savings made in distribution. The final result far surpasses one's wildest dreams and closely approximates the efficiency expert's Utopia. Unfortunately, from paper economies to concrete results is a far step, although given good management and sufficient time there is no reason why it should not be successfully negotiated.

Every consolidation for the first few months, anyway and sometimes for years, experiences a time of stress and tribulation. This appears inevitable and is due to the vagaries of human nature, a factor which is almost always over-optimistically estimated by the promoters. The officials of the various units in the consolidation are jealous. Few men who have been "big frogs in a small pool" accept the reverse position without protest or resentment, which, of course, reacts unfavorably upon the efficiency of the merger. The cutting down of personnel, said to be one of the greatest advantages of merger, is the cause of many difficulties and maladjustments. It can be easily seen that any organization replete with employees who are uncertain of their positions will be a difficult one with which to work and that the time lost in petty politics will be translated into a very real monetary loss. In addition to these extremely important items of indirect expense, a merger frequently is obliged to make large direct outlays. Perhaps the bankers have to be paid in cash, or there may be underwriting commissions. A change in production schedules often results in the loss of much time, while should the combination necessitate new facilities or equipment, it may be months, sometimes years, before the full benefit is felt.

There are then very definitely two sides to the merger question, which are all too often viewed one at a time—seldom the two in their proper perspective. During "good times" the accent is all upon the advantages of consolidation, while during times of depression, everything, no matter how constructive fundamentally, is construed unfavorably. This outlook, of course, is reflected marketwise. During bull markets the stocks of the companies merging are eagerly seized upon and frequently rise to prices where not only have the initial difficulties been entirely ignored, but where all the advantages have been overdiscounted, both singly and collectively. The investor, who purchases stock

during this period, is very likely to suffer a severe decrease in the value of his holdings, due not only to the inherent difficulties of consolidation but due to the fact that these will be further accentuated by the turn of the ubiquitous business cycle. This is not to imply that all "bull market" mergers are unsound as such, but only that the majority, due to general conditions, have proved poor investments during their trial period and have rewarded only those who have exercised extreme patience.

The Trial Period

That almost every merger has its initial difficulties, is amply attested in past history. Two of our present-day industrial giants, United States Steel Corp. and General Motors Corp., experienced a troublous time in their early days—in both cases their stocks declined below $10 a share, a price representing a large loss to the original subscribers. This point was also well illustrated in a recently made survey, showing that a number of the largest industrial mergers consummated during the years 1928 and 1929 have resulted in a stock decline from the high levels of 1929 almost 50% greater than the decline registered by the market as a whole. A specific example may be found in the Chrysler-Dodge merger which took place in July, 1928. The common stock of Chrysler Corp. rose from about $60 per share at the beginning of the year to an all time "high" of $140.75 made some three months after the concrete offer to Dodge stockholders. The same stock is currently quoted around $15 per share. Earnings followed a similar trend, being over $7 per share for 1928, less than $5 per share in the following year, while for the first nine months of 1930 no more than $0.56 a share was reported.

On the other hand, "depression mergers" are not so susceptible to initial difficulties, although if avoidance of bankruptcy be the main object of the consolidation, it cannot be said that as an investment it is other than dangerous. If one should already be a stockholder, however, the merger can hardly be anything but beneficial—greater losses can hardly be incurred and the new combine may be instrumental in restoring the old value to one's holdings. During "hard times" economy is more vital and for this reason more consistently sought. The personnel of the merging companies is less likely to insist upon the last iota of its rights and the spirit of co-operation will pervade the enterprise. Finally, and most important of all to the investor, there is no absurd rise in the stock market to mislead him.

Going back to the last severe world-spread depression, that of 1920 and 1921, it is found that of the comparatively small number of mergers consummated during this period, many proved very successful, both industrially and marketwise. The Allied Chemical & Dye Corp., formed in September, 1920, is a case in point. Even this example conformed in its stock market action to that which might be expected of all mergers. The price ranged between $43 and $62 per share in 1920 and afterwards declined to $34 a share, indicating that there was at least some small "burst of enthusiasm." It can easily be imagined, however, had this merger occurred in 1928 or 1929, that the initial rise marketwise would have been immeasurably greater. The first full year's operations resulted in comparatively small earnings—between eight and nine million dollars. These, however, almost doubled in the following year and have increased in every year since, including the year 1929.

Although it is distinctly preferable to purchase merger stocks during a time of industrial depression than during a time of industrial activity, it is a peculiar fact that past history clearly shows that the merger movement is very much stimulated by "good times," particularly a bull market in stocks, while there is a marked tendency for consolidations to decrease in number under the reverse conditions when one would think that economy were most needed. This curious and contradictory fact is explained by cynics on the grounds that there is no time like a bull market for obtaining a stock-jobbing profit.

There is undoubtedly a great deal of justification for this attitude, although it must not be forgotten that the public's demand for stocks comes first and that an investment banker is no more than a wholesaler of securities, who endeavors, as does every other business man, to satisfy the wishes of his customers. He really cannot be expected to go further and ascertain if these desires are good or otherwise for the individual, although many do, in fact, exercise a lively supervision over the fundamental merits of their wares. The crux of the whole matter from their point of view is that a bull market often provides the only opportunity to effect a merger, which ultimately will be of advantage to both the public and the company, and if in the meantime some few speculators suffer hardship, the end justifies the means taken to attain it. With greater general recognition of the advantages and disadvantages of merger, this unfortunate situation will less frequently obtain.

In regard to a merger there are three distinctly separate

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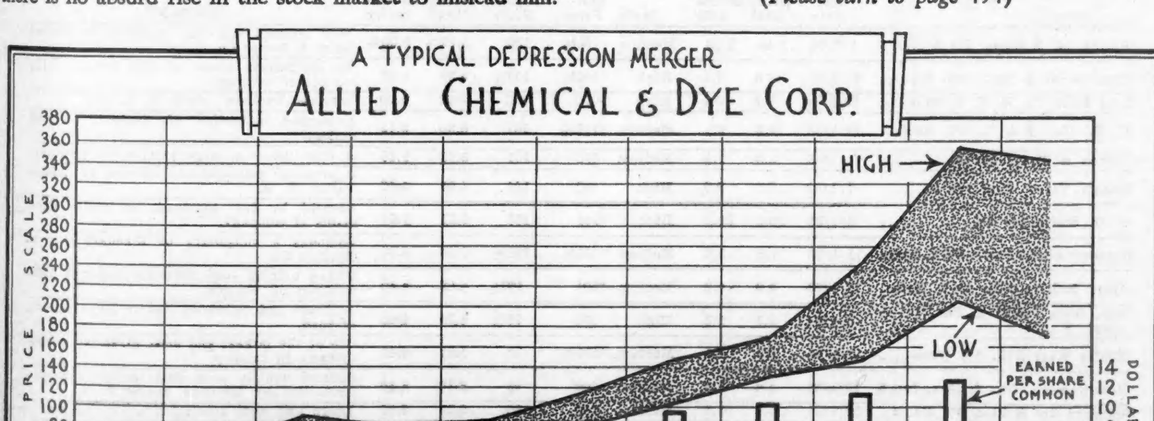


BONDS

Short Term Bonds for Income and Safety

Fifteen Attractive Issues with Maturities Varying from 1 to 5 Years and Yields From 4½% to 6½%

By Ward Gates

ROUGHLY, the bond market can be divided into three groups with respect to maturity dates, namely, short term bonds which mature within five years, medium term bonds which mature within a period of from five to fifteen years, and long term bonds which mature after fifteen years from date. These groupings and the period of years set as a limit regarding maturities are entirely arbitrary and can be changed to shorter or longer periods, but nevertheless the above classification is based on convenient limits, and will serve for all ordinary purposes.

All bonds, irrespective of whether they are of short, medium, or long term maturity, are affected by the trend of interest rates, but to varying degrees. The more distant the maturity of a particular bond issue, the greater the price change as a result of a change in interest rates, because amortization or the spreading of the increase or decrease, whichever the case may be, will be allowed over a greater period. Fluctuations of short term bonds, therefore, are confined to narrow limits and their price, assuming that they are obligations of sound corporations and there is no question as to their ultimate payment, will depend largely upon the prevailing rates of short term money.

The other chief factor influencing bond prices and the rate of return which a particular bond will yield is the credit standing of the issuing corporation. Improvement in the credit standing of a company may result from a strengthening in the fundamental position of the industry, or from enhancing its position in that particular industry. Both of these will tend to increase or fortify the earning power and therefore will improve the position of the bonds issued by the company in question. On the other hand, however, bonds will become weaker if the

Fifteen Attractive Short Term Bonds

Name	Due Date	Times Interest Earned 1928	Times Interest Earned 1929	Grade	Call Price	Market Price	Current Yield	Yield to Maturity	COMMENT
United Lt. & Rwys. 1st & Ref. 5	7/1/32	1.34	1.40	Medium	102½	100	5.00%	5.00%	Well secured and now assumed by United Light & Power Co.
Humble Oil & Ref. Deb. 5½....	7/15/32	13.6	8.1	High	102½	102½	5.35	4.40	No obligations ahead of this bond. Wide margin of earnings.
Long Island R. R. N. S. 1st 5....	10/1/32	3.2	2.4	High	NC	100	5.00	5.00	Assumed by Long Island R. R. Co.
N. Y., Chi. & St. L. 6% Notes..	10/1/32	2.2	2.1	Medium	*100½	101	5.93	5.42	Unsecured obligation of strategic railroad system.
Boston & Maine 1st 6..........	1/1/33	2.0	1.9	Medium	NC	101	5.93	5.48	A first lien on a large part of the property.
Lehigh Valley Coal 1st 5......	1/1/33	2.1	2.0	High	NC	101	4.95	4.46	Guaranteed principal and interest by Lehigh Valley R. R.
A. O. Smith 1st 6½............	5/1/33	26.2	34.4	High	*101	103	6.31	5.06	Secured by first mortgage on entire fixed assets of company.
Northern States Power 6½% Notes	11/1/33	2.5	2.6	Medium	*101½	101½	6.38	6.00	Company a subsidiary of Standard Gas & Electric Co.
Amer. Rolling Mills 4½% Notes.	11/1/33	5.3	4.2	Medium	*101	97½	4.62	5.50	Strong unit in steel industry, although 1930 earnings off sharply.
Chi., Rock Island & Pac. 1st & Ref. 4	4/1/34	2.1	2.2	High	NC	98¾	4.05	4.42	A direct and collateral lien on large portion of road.
Middle West Util. 5% Notes....	7/1/34	1.3	1.4	Medium	*100¾	96	5.21	6.42	One of the largest and most extensive utility systems in country.
New Orleans, Tex. & Mex. Inc. 5	10/1/35	1.4	1.5	Medium	100	98	5.10	5.50	Secured equally with first mortgage bonds. Controlled by Missouri Pacific R. R.
Standard Gas & Elec. 6% Notes..	10/1/35	1.6	1.5	Medium	103	99	6.07	6.26	Large and well diversified utility system.
Chicago Dist. Elec. Deb. 5½.....	10/1/35	..	2.4(e)	Medium	*102	100	5.50	5.50	Company controlled by several Insull utilities, to which it sells wholesale power.
Midvale Steel & Ord. Conv. 5....	5/1/36	2.7	4.2	High	105	101	4.95	4.78	First mtge. on important properties. Guaranteed principal and interest by Bethlehem Steel.

* Callable at graduated prices—figure shown is current call price. (e) Estimated for year ended June 30, 1930. NC—Non-callable.

reverse of the foregoing is the case. The preference which many investors show for short term bonds, therefore, is well founded because by thus limiting their choice they come nearer to obtaining a purely interest return on their funds than they would by investing in the longer term maturities. The fluctuations arising from a change in interest rates are to a large degree eliminated, and, more important, there is a greater degree of certainty regarding the credit standing of a corporation. The credit standing of a company over a period from one to five years can be gauged with a high degree of certainty, but in the case of the longer term maturities, unforeseen factors may arise in the affairs of a company which would greatly impair the position of the bonds, although the current position is fundamentally sound.

Because of the short period in which these bonds have to run before maturity, even a small fluctuation in price will affect considerably the yields obtainable on them, so that in purchasing them it is advisable to set a price according to the yield desired on a particular issue rather than placing a market order. Another item that should be watched is the call price. The likelihood of an issue being called before maturity depends on whether money conditions and the bond market, especially for new issues, will become favorable enough during the intervening period so that the issuing corporation finds it advantageous to refund bonds that will mature several years hence. In some instances, the calling of a bond before maturity works out to the benefit of the holder as he will receive a premium over the par value of the bond, but at the same time the purchaser of short term issues should guard against paying too high a premium over the call price because this may work out to his disadvantage.

Important Corporation Meetings

Company	Specification	Date of Meeting
Amer. Tobacco Co.	Com. & Com. B Divs.	1-28
Bendix Aviation Corp.	Com. Dividend	1-28
Bethlehem Steel Corp.	7% Pfd. & Com. Div.	1-29
Brooklyn Edison Co.	Com. Dividend	1-27
Childs Company	Com. & Pfd. Divs.	1-28
Consol. Gas of New York	Com. Dividend	1-29
Deere & Co.	Pfd. & Com. Divs.	1-27
Delaware & Hudson Co	Com. Dividend	1-28
General Refractories	Com. Dividend	1-26
Illinois Central R. R.	Com. & Pfd. Divs.	1-27
Inland Steel Co.	Com. Dividends	1-27
McCrory Stores Corp.	Class A & B Divs.	1-29
Munsingwear Inc.	Com. Dividend	1-27
N. Y., Chicago & St. Louis R. R.	Pfd. & Com. Dividends	1-30
Norfolk & Western Ry.	Com. Dividend	1-27
Pennsylvania R. R.	Directors	1-28
Studebaker Corp.	Pfd. & Com. Divs.	1-27
U. S. Steel Corp.	Pfd. & Com. Divs.	1-27
Vulcan Detinning Co.	Pfd. & Com. Divs.	1-28
Westvaco Chlorine Products Co.	Com. Divs.	1-29

Bond Buyers' Guide

NOTE.—The following list of bonds has been arranged solely on the basis of current yields to maturity. The position of any issue is not intended as an indication of its relative investment merit. Readers should observe a proper diversification of commitments in making their selections from this list. The Guide is subject to revisions as more favorable issues appear and those no longer suitable, in our opinion for new purchases, are dropped. Any queries concerning such changes should be directed to our Personal Service Department.

Railroads

	Prior Liens (Millions)	Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Atchison, Top. & S. F. Conv. 4s, 1955	273.3	5.68	110	96	4.2	4.3
New York Central Deb. 6s, 1935	630.2	3.90	110	107	5.6	4.3
Rock Island-Frisco Terminal 1st 4½s, 1957 (d)	....	X	102½T	97	4.6	4.7
Pennsylvania 5s, 1964	....	4.54	102T	104	4.8	4.8
Central Pacific Guar. 5s, 1960 (a)	....	2.72	105 ('35) T	104	4.8	4.8
Great Northern Gen. A 7s, 1936 (b)	139.8	2.41	....	110	6.4	4.9
Illinois Central 4¾s, 1966	....	1.85	102½ ('36)T	98	4.8	4.9
Southern Railway Dev. & Gen. 6s, 1956	183.8	2.23	....	113	5.3	5.1
N. Y., Chic. & St. L. Ref. 5½s, 1974 (a)	58.8	2.21	105	107	5.1	5.1
Missouri Pacific 1st & Ref. 5s, 1977 (a)	94.6	1.70	105A	96	5.2	5.2
Chic. & W. Indiana 1st Ref. 5½s, 1962	49.9	X	105	104	5.3	5.3
Carolina, Clinchfield & Ohio 1st & Cons. 6s, 1952 (b)	14.2	X	107½T	108	5.6	5.4
Nor'n Pacific Ref. & Impr. 6s, 2047 (a)	165.6	2.48	110 ('36)	112	5.4	5.4
Western Pacific 1st 5s, 1946 (b)	....	1.25	100	96	5.2	5.4
Balt. & Ohio Ref. & Gen. 6s, 1995 (a)	285.3	2.03	107½A ('34)	109	5.5	5.5
Wabash Ref. & Gen. 5½s, 1975 (a)	61.6	2.06	105A ('35)	100	5.5	5.5
Central of Georgia Ref. 5½s, 1959	30.9	1.57	105A ('34)	100	5.5	5.5

Public Utilities

	Prior Liens (Millions)	Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Pacific Gas & Elec. Gen. Ref. 5s, 1942	29.0	2.26	105T	103	4.9	4.7
Consol. Gas of N. Y. Deb. 5½s, 1945 (a)	191.1	5.40	106T	106	5.2	4.9
Columbia Gas & Elec. Deb. 5s, 1952	....	4.62	105T	101	4.9	4.9
Utah Power & Light 1st 5s, 1944	....	2.83	105	101	4.9	4.9
Indiana Natural Gas & Oil Ref. 5s, 1936	....	2.87	....	100	5.0	5.0
Montana Power Deb. 5s, 1962 (a)	33.3	3.14	105T	100	5.0	5.0
Hudson & Manh'n 1st Ref. 5s, 1957 (b)	5.9	2.76	105	100	5.0	5.0
Arkansas Power & Lt. 1st & Ref. 5s, 1956 (c)	2.0	2.45	105	98	5.1	5.1
Detroit Edison 1st & Ref. 6s, 1940 (b)	14.0	3.27	107½T	105	5.7	5.3
Seattle Electric—Seattle Everett 1st 5s, 1939 (d)	....	1.93	105	96	5.2	5.6
Amer. W. Wks. & El. Deb. 6s, 1975 (a)	12.7	1.53	110	105	5.7	5.7
Northern Ohio Tr. & Lt. Gen'l & Ref. 6s, 1947, "A" (a)	8.4	2.20	110	104	5.8	5.7
Standard Gas & Elec. 6s, 1935	432.2	1.60	103	100	6.0	6.0
New Orleans P. S. 1st & Ref. A 5s, 1952 (a)	9.7	1.32	104	88	5.6	6.0
Standard Gas & Elec. 6s, 1966 (b)	432.2	1.60	105T	99	6.1	6.1
Cities Service Pr. & Lt. Deb. 5½s, 1952	104.4	1.53	105	81	6.8	7.3

Industrials

	Prior Liens (Millions)	Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Allis Chalmers Deb. 5s, 1937 (a)	....	6.29	103T	102	4.9	4.6
Youngstown Sh. & Tube 1st 5s, 1978 (a)	....	6.86	105T	103	4.9	4.8
Gulf Oil Deb. 5s, 1947 (c)	....	13.04	104AT	103	4.9	4.7
Midvale Steel & Ord. Conv. Coll. 5s, 1936 (a)	....	4.77	105	101	4.9	4.8
Sinclair Pipe Line 5s, 1942 (a)	....	6.33	103	100	5.0	5.0
National Dairy Prod. Deb. 5¼s, '48 (a)	....	12.74	105T	100	5.3	5.3
Amer. Cyanamid Deb. 5s, 1942	0.3	10.58	100	96	5.2	5.5
Purity Bakeries 5s, 1948	0.6	10.40	103½	93	5.4	5.6
Chile Copper Deb. 5s, 1947 (a)	....	10.20	102T	94	5.3	5.6
International Match Deb. 5s, 1947 (a)	....	9.81	109T	93	5.4	5.7

Short Terms

	Prior Liens (Millions)	Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Humble Oil & Ref. Deb. 5½s, '32 (b)	....	13.59	102½A	102	5.4	4.1
Smith (A. O.) 1st S. F. 6½s, 1933 (a)	....	34.45	101T	103	6.3	5.1
Middle West Utilities 5s, 1933	381.6	1.39	101½	97	5.2	6.3

Convertible Bonds

		Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Atch., Top. & S. F. Deb. 4½s, '48	Com.@166.6	5.68	102	117	3.8	3.2
N. Y., N. H. & Hart. 6s, '48	Com.@100	2.39	...	116	5.2	4.6
Baltimore & Ohio Conv. 4½s, '60	Com.@120(h)	2.03	105	96	4.7	4.7
Texas Corp. 5s, 1944	Com.@70	18.08	102T	100	5.0	5.0
Chic., Rock Island & Pac. 4½s, 1960	....	2.19	105('36)T	90	5.0	5.2
Chesapeake Corp. Col. Tr. 5s, '47	C. & O.@106	2.34	100	98	5.1	5.2
Amer. Inter'l Corp. Deb. 5½s, '49	Com.@80	1.49	105	92	6.0	6.2
Inter'l Tel. & Tel. Deb. 4½s, '39	Com.@63.9	3.07	102½	89	5.1	6.2
Assoc. Gas & El. Conv. 4½s, '49 (K)	....	1.69	103T	66	6.8	8.1

All Bonds are in $1,000 denominations only, except (a) lowest denomination $500, (b) $100. * On total funded debt.

A—Callable as a whole only. T—Callable at gradually lower prices. X—Guaranteed by proprietary companies. (c) Listed on New York Curb. (d) Available over-the-counter. (h) Convertible after February 1, 1931. (K) Convert. into 17½ shares of Class "A" stock.

PUBLIC UTILITIES

INTERNATIONAL TEL. & TEL. AMERICAN & FOREIGN POWER

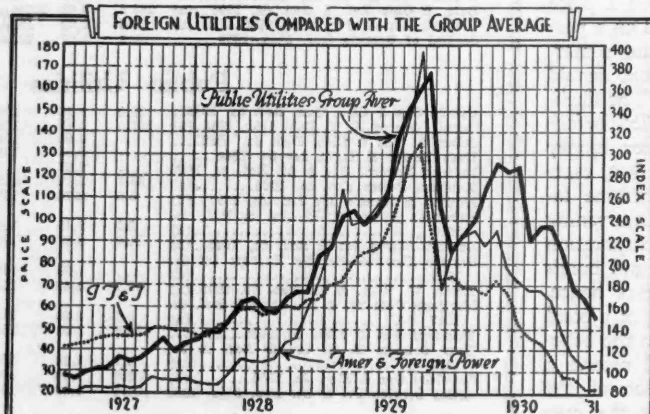
Weathering the Storm of Foreign Upheaval

Economic Depression and Political Disturbance Impair Earnings, but Longer Term Outlook Favorable.

By Francis C. Fullerton

MANY have been the changes in governments within the period of the last year. Indeed, hardly a week passes even yet without its quota of news about foreign political disturbance, but sooner or later in the normal sequence of events the revolutionary fever will have run its course. The underlying reason for these political upheavals is the economic depression which is gripping the world, causing populations everywhere to seethe and place the blame upon the incumbent governments. Old regimes are toppled and new ones install themselves, leaving the people blithely confident that the change thus brought about will provide the elixir or cure-all for their grievances. The Latin-American countries, true to form, provided the most surprising and spectacular *coups d'etat*, frequently accompanied by military action.

FOREIGN UTILITIES COMPARED WITH THE GROUP AVERAGE



The tremendous amounts of American funds now invested in foreign countries, in the form of government loans as well as loans and investments in private enterprises, make foreign events of great significance to investors in this country. Ten years ago, or better, twenty years ago, foreign upheavals were chiefly of amusing but aloof interest to the average person in the United States, but with many security holders in this country now intimately involved in foreign situations in connection with their investments, this blasé attitude of previous decades is a thing of the past. Even the casual observer could not fail to notice the immediate effect of a disturbance in a foreign country upon the market quotations of the securities of that particular political division.

Temporary Effect Only

In the light of past history, crises and developments of the above nature consequent thereon are of a temporary nature. The situation in the main rights itself when world economic conditions become adjusted. The present crisis is probably more deep rooted than many of the previous ones and therefore it may take more time before definite improvement occurs but that this will happen sooner or later is a foregone conclusion. One need go back only as recently as 1923 for an example of a serious foreign situation, more particularly in Europe but also in South America. The economic, financial and political difficulties of that year were successfully surmounted and the recuperative power of the various nations enabled them to enter a new period of prosperity. Fortunately, however, these latter periods are of much longer duration than the periods of depression from which they emerge.

One of the outstanding features of the American investment expansion into foreign countries was the remarkable growth in the public utility field—in telephony and in electric power and light. This development is the outgrowth of the unprecedented expansion occurring within the territorial confines of the United States to a point where in both branches it surpasses that of any other country in the world. The opportunities which were presented in the domestic market are likewise potentially present in countries where this development is only in the early stages, enhanced moreover by the efficient methods and highly developed technic which American experience can bring to this job.

The phenomenal expansion of American enterprise in the public utility field abroad within the decade just passed connote the aggressiveness with which

American entrepreneurs followed the recognition of the large opportunities open to them in this particular field. The two leading organizations, sponsored by the most powerful financial interests in this country, are the International Telephone & Telegraph Corp., in the field of telephony and telegraphy, and the American & Foreign Power Co., in the field of electric power and light.

International Tel. & Tel.

Both companies began in a small way and naturally enough in the region nearest to the United States, namely Cuba. International Telephone & Telegraph Co. began its career in June, 1920, as a holding and management corporation, acquiring control in that year of the Cuban Telephone Co. and of the Porto Rico Telephone Co. Each successive year has witnessed a broadening of activities in the field of electrical communication and in the manufacture and sale of electrical and telephone equipment. In 1925 the International Western Electric Co., Inc., was acquired, giving International Telephone the extensive foreign manufacturing and export business of the Western Electric Co., the manufacturing subsidiary of the American Telephone & Telegraph Co. In 1927, All-America Cables, Inc., was acquired. The Mackay Companies (Postal Telegraph and Commercial Cables) became associated with the International system in 1928, and in 1929 the United River Plate Telephone Co., Ltd., was acquired.

International Telephone & Telegraph Corp. is now the most powerful international communications system in the world. The company is so organized that it can take advantage of the potentialities for growth in cables, telephones, telegraphs, and radio. In addition to the two countries mentioned above, the company now operates telephone systems in Spain, Argentina, Brazil, Chile, Uruguay, Peru, Turkey, Mexico, the International settlement in Shanghai, China, and last year acquired a concession in Rumania.

American and Foreign Power

American & Foreign Power Co., Inc., was organized as a holding company in December, 1923. At first acquiring control of a few isolated properties in Cuba and Central America, the company has followed a policy of rapid expansion chiefly in South American countries, but elsewhere too, until it is now the largest American company engaged in the foreign electric power and light field and probably the largest in the world.

The company controls operating subsidiaries in 12 countries. From the viewpoint of gross revenues Cuba is the most important, accounting for 29% in 1929, Chile comes next with 18%, followed by Brazil with 17%, Mexico with 14%, Argentina with 7%, China with 6%, Panama with 3%, Colombia and Guatemala with 2% each, Costa Rica and Ecuador with about 1% each, and Venezuela with less than ½%. Classified as to source, electric power and light accounted for 75% of the gross in 1929, transportation for 19%, manufactured gas for 4%, and the remaining 2% from telephone, water and ice. A total of 780 communities are served with a population estimated at 12,067,000. In addition to the controlled properties, American & Foreign Power has a 50% interest in a hydro-electric development at Bombay, India, and minority interests in companies in five other countries.

The earning power of both International Telephone and of American Foreign Power were more seriously affected by the world-wide depression of 1930 than similar systems in the United States; in other words, the depression was much more severe in other countries, and particularly in Latin America. International Telephone, for instance, for the first nine months of 1930 reported per share earnings on the common stock of only $1.55 as against $2.33 for the corresponding period the year before, and to accomplish even this result, the management had to effect operating economies by cutting overhead and other charges to the bone. American & Foreign Power reported $2.72 for the first six months of 1930 as against $3.42 for the same period the preceding year. Earnings continued falling off for both companies as the year 1930 drew to a close, and there are no definite indications yet of a turn.

These earnings recessions, however, should not be attributed to a weakening in the fundamental position of the industry or of the properties, but rather almost entirely to depressed general economic conditions. The political upheavals in the countries where these companies operate are largely symptoms of the depression and therefore may be discounted in so far as having any serious adverse affect on the future operations in most of these countries. One other factor, however, must be contended with from which the domestic companies are free, and that is the vicissitudes of the money exchange markets. Depreciating foreign currencies have the effect of lowering the earnings in terms of United States dollars or in terms of gold.

The investment public is familiar with the severe deflation in the common stocks of these two organizations from the spectacular-

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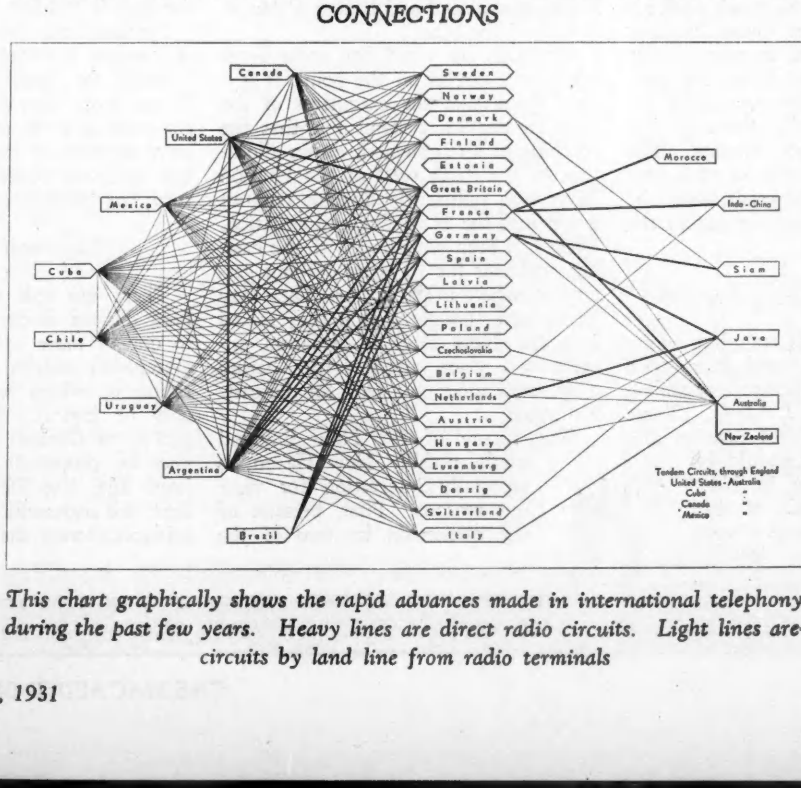
INTERNATIONAL TEL. & TEL.'S PRESENT TELEPHONE AND RADIO CONNECTIONS



This chart graphically shows the rapid advances made in international telephony during the past few years. Heavy lines are direct radio circuits. Light lines are circuits by land line from radio terminals

NEW YORK, NEW HAVEN & HARTFORD

New Haven Key Road in Favored Position Merger-Wise and On its Own Prospects

By Pierce H. Fulton

ANNOUNCEMENT by the presidents of the four large railroad systems in eastern territory that an agreement had been reached on an allocation of the principal railroads in that section for a four-system grouping, and failure to deal with the New England lines, have called attention to the future of those properties, particularly that of New Haven. In the last few years that road and its securities have been prominent, regardless of merger possibilities.

In their letter to the Interstate Commerce Commission, briefly outlining their allocation, the executives made no mention even of the New England roads, except to note in passing that they had been excluded from consideration. While why this was done has not been stated officially, there are several apparent and good reasons. The prevailing belief has been for some time that the New England roads should be treated separately from the rest of the railroads in the East.

Two Leaders in New England

There has not been complete agreement on this point, even in railroad circles most vitally interested, or among the members of the I. C. C. There has been a difference of opinion also as to whether there should be one or two systems in New England, if the roads of that section were not grouped with rail lines west of the Hudson River.

Just recently the Providence Chamber of Commerce has appealed to President Hoover for support of the Rhode Island plan for integrating existing New England railroads with trunk lines. It is urged in this plan that the six main eastern trunk lines be brought to New England seaports and industrial centers, as the best means of preserving competitive service for shippers in New England. The I. C. C. general plan, made public in December, 1929, provided for two systems, at the head of one of which New Haven was placed and Boston & Maine at that of the other.

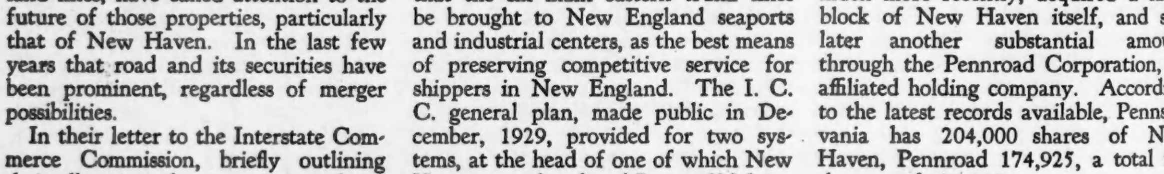
Although no word has come from conference circles on the point, it is a good guess that the executives of the four big eastern systems felt that the reaching of an agreement on an allocation of the roads west of the Hudson River was sufficiently difficult without going into the New England situation. They had been wrestling with the eastern problems for 10 years without getting anywhere in particular. They may easily have thought that if they mixed into the New England situation another ten years might elapse before they could agree on a plan for the eastern roads.

The future of the New England roads, notably New Haven, is especially interesting for various reasons. First, because of the ownership by two of the largest of the four proposed eastern systems—New York Central and Pennsylvania—of big amounts of the stock of the three outstanding roads in that section. New York Central has held Boston & Albany under lease and operated it since 1899. Pennsylvania, much more recently, acquired a large block of New Haven itself, and still later another substantial amount through the Pennroad Corporation, its affiliated holding company. According to the latest records available, Pennsylvania has 204,000 shares of New Haven, Pennroad 174,925, a total for the two of 378,925.

Pennroad also owns 168,000 shares of Boston & Maine. Pennsylvania, through its large holding of New Haven stock, has an additional financial interest in B. & M. New Haven owns 99.66% of the stock of the Boston Railroad Holding Co., which in turn, has 28.98% of B. & M.

Important Holdings

There are still other reasons why New Haven is closely bound already to one or more of the four proposed systems in eastern territory, the separation of which seems by no means easy or logical. New Haven owns 50.2% of Ontario & Western, which may be proposed as another bridgehead line, like Delaware & Hudson, from the anthracite coal fields in Pennsylvania, across the Hudson River in-



A Picture of Recovery

New Haven of today, compared with 1913, the beginning of the reconstruction period that extended in a big way through 1927:

	1930 9 mos. to Sept. 30	1929 12 mos. to Dec. 31	1913 12 mos. to June 30
Mileage operated	2,129	2,130	2,144
Invest. in prop.	$359,154,121	$352,418,073	$192,229,190
Total assets	597,196,410	600,736,454	490,405,058
Share capital	206,155,300	206,154,600	180,107,000
Corp. surplus	23,355,944	22,952,418	7,916,557
Gross earnings (11 mos.)	109,868,724	142,458,670	68,613,503
Net ry. oper. inco. (11 mos.)	22,954,680	33,631,144	18,316,855
Earned on com. (11 mos.)	6.59	11.72	....
Paid on common	*6.00	5.50	Passed
Paid on preferred	*7.00	7.00	None
Surplus after divs. (11 mos.)	3,288,547	10,958,337	(Def.) 4,564,325

* Full year.

to New England. New Haven and New York Central jointly own control of Rutland each having 23,520½ shares of preferred.

New Haven owns a large interest, or practically all the stock in a considerable number of other transportation companies in New England, trolley lines, steamship lines, motor buses and motor trucks. The most important of the trolley lines is New York, Westchester & Boston, in which New Haven has 99.6%. This road helps greatly to relieve the local traffic in and out of New York City.

Pennsylvania's Position

Jointly with Pennsylvania, New Haven owns the stock of the connecting railway. By means of this short line a physical connection is established between the two systems, and likewise the through service which has been in effect for some time, is made possible.

In the Four Party plan, which has been agreed upon by the eastern executives, Boston & Albany is allocated to New York Central, where it has been for 31 years. Because of this fact and Pennsylvania's large interest in New Haven and B. & M., the question also has arisen: "How long will Gen. Atterbury, president of Pennsylvania, sit quietly by without taking active steps to protect the interests of his company in New England?"

Perhaps the best answer just now is that ever since Pennsylvania bought into New Haven it has benefited trafficwise from the purchase. Through trains have been run, for instance, from Washington to Boston, making connections at important New England points and vice versa, Pennsylvania has secured a large amount of traffic from Boston and other New England centers for points on its own system in the Pittsburgh area and South and West.

Of course, New Haven has shared proportionately in this traffic, as it has from the through passenger trains from Washington to Montreal and return. In other words, New York Central and B. & A. have by no means had all the through traffic in and out of New England since Pennsylvania bought into New Haven and B. & M.

It should be noted here that both Pennsylvania and New Haven have benefited to the extent that they have from the former's stock ownership in the latter, without Pennsylvania's management asserting itself in that of either New Haven or B. & M.

The rumor has come from Washington in recent days that when the New England situation is taken hold of actively Pennsylvania will share its stock ownership in those two roads with B. & O. Notwithstanding all the good fellowship and liberality that are supposed to have developed around the "peace table" in the Pennsylvania board room in this city last month this rumor seems too good to be true.

New York Central and Pennsylvania are the only systems among the four big ones in eastern territory that now have a foothold in New England. Neither B. & O. nor C. & O.-Nickel Plate has as much as one toe in any doorway opening into that territory. Moreover, the feeling between Pennsylvania and B. & O. is rather less friendly than between Pennsylvania and New York Central. In the past Pennsylvania has not been inclined to make important concessions to B. & O.

Then, too, even if Pennsylvania did turn over one-half of its stock interest in New Haven and B. & M. to its active rival B. & O., where would the Van Sweringens come in with respect to New England? How would competition in New England be balanced?

Laying all guessing and speculation aside, Gen. Atterbury was reported to have told a meeting of New England governors in Boston last year that as long as New York Central holds control of B. & A. "Pennsylvania and Pennroad would not willingly surrender their interest in New Haven and B. & M." He was said to have added, however, that, "should all the railroads in New England be combined into one trunk system (as has been proposed in recent years), instead of two as suggested by the I. C. C., Pennsylvania and Pennroad probably would be willing to dispose of their New England holdings."

It may be assumed that he meant that if New York Central were compelled to give up B. & A., Pennsylvania and Pennroad would be willing to go out of the New England situation also.

There is good reason for believing that New York Central has no intention of disposing of B. & A., which it leased in 1899 for 99 years. It is to be doubted that such action will be required. Under these circumstances Pennsylvania is likely to stay in New England and New Haven to benefit from the former's stock ownership through physical connections and interchange of traffic. Whatever may be done in the swapping of stock or in consolidations New Haven is certain to occupy a highly important, if not predominating, position among the railroads of New England.

On Its Own Basis

Having outlined its position and connections in general terms, it is now proper to show through the medium of more concrete terms just what the New Haven is as a going railroad property, occupying, in many respects, a unique position among all the railroads of the United States.

It is a system with a little more than 2,000 miles of operated lines. They extend from New York City, through the most impor-

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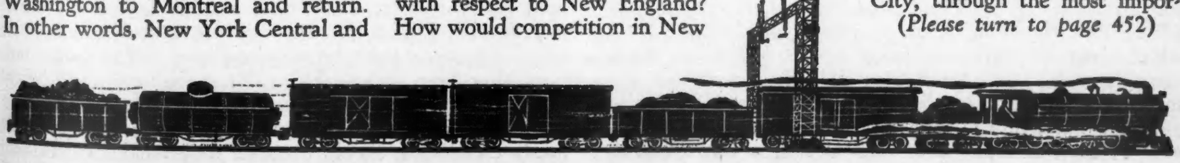


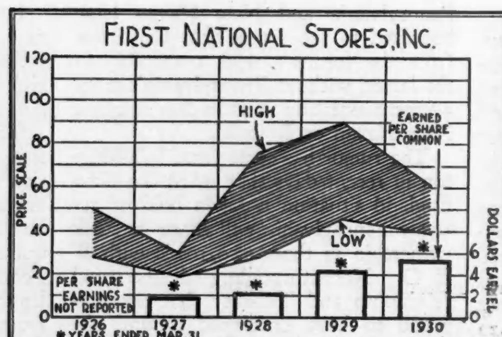
Investment Stocks With Long Term Profit Possibilities

The common stocks selected for this grouping might be considered supplementary to the Ten outstanding investments covered in the previous issue. Like them they represent strong companies with favorable long term prospects which should reflect improving conditions during the months to come and yet afford a reasonable yield on the investment. They may be acquired in periods of market weakness.

First National Stores, Inc.

Well-Managed Food Chain

Price	Dividend	Yield
44	\$2.50	5.7%



It has long been recognized that efficiency in production has made much greater progress than efficiency in distribution with the result that the cost of living has remained high out of all proportion to the producing cost of the goods in every-day demand. There is apparently no all-embracing remedy for this serious situation, but large scale distribution with its numerous economies, as practiced by chain stores, is a significant step in the right direction. This type of company, dealing with the common necessities of life at the lowest available prices, has a very definite economic right to existence and can hardly fail to continue in public favor to the end that its own ultimate prosperity will be assured.

Of the many successful chains open to the investor, First National Stores, Inc., is among the most attractive and would appear to warrant the serious consideration of anyone contemplating the purchase of stock in this type of business. The company was formed in December, 1925, as a consolidation of three New England chain groceries, each of which had been operating for more than twenty years. Since formation other chains have been acquired and new stores opened with the result that the company now operates slightly less than 2,600 retail outlets, among which are included a number of combination grocery and meat markets.

Great progress has been made in solving the intricate problem of efficient daily delivery of fresh foodstuffs. Bases are operated at Somerville, Mass., Providence, Rhode Island, East Hartford, Conn., and Bridgeport, Conn., from which daily deliveries are made to the individual stores throughout the particular district. The Somerville base was specially designed and is said to be the largest individually operated warehouse in the world. The buildings contain over 17 acres of floor space and 42 freight cars and 137 trucks may be loaded or unloaded simultaneously. In addition to modern bakeries at Somerville, Hartford and Providence, the company operates a coffee-roasting plant, a soft drink bottling plant, a cold storage system, garages and machine shops. It also manufactures candy.

The capitalization of First National Stores, Inc., consists of an issue of 7% cumulative preferred stock of \$100 par value, followed by 820,700 shares of no par common stock. Funded debt amounts to \$1,500,000 in the form of 1st mortgage 5s, due April 1, 1952. There are also outstanding purchase money mortgages totaling slightly less than \$100,000. Both net income and net per share have shown consistent growth for a number of years. Earnings for the fiscal year ended March 29, 1930, amounted to \$4,736,000, equal to \$5.30 per share of common stock. This was the best showing in the company's history and represented a gain of 64% over the previous year. For the six months ended September 27, 1930, net income totaled \$2,252,000 against \$2,452,000 for the corresponding previous period, equal to \$2.53 and \$2.94 per share of common stock respectively based upon the number of shares outstanding at the end of each period. It should be noted that this decrease in net income is due solely to lower commodity prices and if the company's business were to be considered on a tonnage basis the showing would be reversed very decidedly.

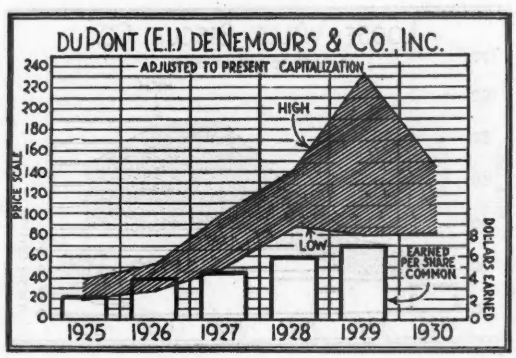
Like all merchandising companies First National Stores, Inc., has had to contend with a steadily declining general price level and although inventories are undoubtedly kept as small as possible, losses on such staples as coffee, butter and eggs have been inescapable. These, however, are being written off as they occur and with the return to normal business conditions, the company, being well managed and firmly established, should continue its profitable expansion.

DuPont de Nemours

Diversified Chemical Giant

Price	Dividend	Yield
84	$4.00	4.8%

FOUNDED years before the general industrialism of the United States, E. I. duPont de Nemours & Co., Inc., has weathered many depressions and profited from many booms. In fact, so old-established is the company and so consistently profitable has it been, that it has taken on the attributes of an institution rather than an ordinary industrial enterprise. It has been said many times that no investment list is complete if it fails to include at least a few shares of "duPont," and without debating the literal truth of this phrase, the fact remains that only in a small number of investment trusts can one obtain the security and sound diversification afforded by the common stock of this great "chemical" company.



A Diversified Giant

The business of E. I. duPont de Nemours & Co., Inc., and its thirty or more subsidiaries may be roughly divided into three divisions. The [illegible] comprises the manufacture of purely chemical produ[illegible] as ra[illegible] materials in other industries. Such [illegible] as synthetic ammonia, various acids and alco[illegible] possibly dyes and paints would be included in this division. The second division covers an almost unbelievably wide range of products among which will be found rayon, pyroxylin and rubber coated fabrics, motion picture film, "cellophane" now so extensively used as a cigar and candy covering, and explosives of all kinds. In regard to explosives it is interesting to note that 40% of all the explosives used by the United States and her allies during the World War were supplied by duPont. The third, or investment division, is of tremendous importance to the company. In fact, since the year 1925 income from investments has been materially greater than income from operations and, of course, if equity earnings were included the difference would be still greater.

The investments of E. I. duPont de Nemours & Co., Inc., in non-affiliated companies are carried on the books at about $226,000,000, or but very slightly below the value put upon the company's plants and properties. The greater part of this vast sum represents the company's holdings in the common stock of General Motors Corp. As of June 30, last, duPont owned 9,981,220 of General Motors, or about 23% of the entire outstanding capitalization and but slightly less than one share of General Motors for each share of duPont outstanding. From this investment duPont received nearly $43,000,000 in 1929. Although there is some evidence that the banner years in the automobile industry have passed, duPont may reasonably expect further benefits from its automobile investment in the years to come, as General Motors is one of the strongest units in the field and is making every effort toward the attainment of greater diversification of interests. Entry into the domestic refrigerator, aircraft and radio fields are instances of the company's broadening activities.

The capitalization of E. I. duPont de Nemours & Co., Inc., consists of 17,387 shares of cumulative voting 6% debenture stock of $100 par value; 977,944 shares of cumulative non-voting 6% debenture stock of $100 par value; followed by 11,013,976 shares of common stock of $20 par value. There is no parent company funded debt and that of subsidiaries amounts to less than $1,500,000. Earnings have shown a remarkable increase over the past five or six years, due principally to the steadily increasing dividends received from the company's investment in General Motors, although income from operations has also grown very materially, being $13,400,000 in 1925 and over $34,000,000 in 1929. Total net income for the year 1929 amounted to $78,172,000, equal to $6.99 per share of common stock and compared with $64,098,000, equal to $5.97 per share for the previous year. For the first nine months of 1930 net income equalled $3.88 per share a considerable decrease from the $5.64 per share shown for the like period of 1929, although considerable comfort may be derived from the fact that income from operations declined less than did income from investments. Income from operations for the first nine months of 1930 totaled $19,540,000 against $26,354,000 shown for the corresponding period of 1929, whereas the income from the company's General Motors investment declined to $25,453,000 from $35,455,000. The great diversity of duPont's own manufacturing interests was doubless contributory to this result.

Unbroken Dividend Record

E. I. duPont de Nemours & Co., Inc., or its predecessor companies have an unbroken dividend record on their common stock dating from 1903. Regular cash dividends have been augmented from time to time by very substantial cash extras, stock dividends and the distribution of securities in other companies. The present regular dividend rate is $4 per share annually, affording a yield of about 4.8% at current prices of $84 a share.

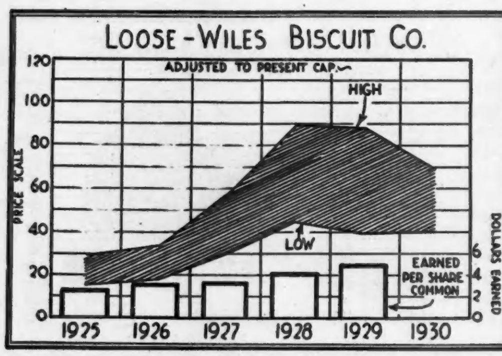
Although competition in the chemical industry is growing keener, the impregnable financial position, diversification of interests and exceptionally good management of E. I. duPont de Nemours & Co., Inc., are sufficient in themselves to assure the company a profitable future. When consideration is given to the fact, however, that the company operates research departments in which new products are continually being discovered, the future becomes doubly assured.

Loose-Wiles Biscuit

Trade Factors Favor Further Growth

Price	Dividend	Yield
48	$2.60 plus extras	5.4%

IN the same way that the greater size of the American Can Co. obscures the attractions of the Continental Can Co., so is the high calibre of Loose-Wiles Biscuit Co. dimmed by the unusual magnificence of its competitor—National Biscuit Co. The modern tendency to invest in the leading unit in any industry has much to commend it, although in the past, particularly during the last bull market, this policy was undoubtedly carried to an unwarranted extreme. It is the element of "growth" rather than mere size as such which makes for profitable investment and a study of Loose-Wiles Biscuit Co. will show that this old established, well managed concern is able and likely to undertake expansion on a large scale during the years immediately before us.



Recent Expansion

The present company received its New York charter in 1912 and was formed to acquire the business, including subsidiaries, of the Loose-Wiles Biscuit Co. (New Jersey), a corporation dating from 1903. The company for many years operated with a placid conservatism. In 1927, however, it awakened suddenly, and commenced an aggressive expansion program. A substantial stock and bond interest in the Queens Place Realty Co., Inc., owning the Long Island City Bakery, was enlarged to 100% stock control. Shortly afterwards the Peerless Biscuit Co. of Pittsburgh, Pa., was absorbed and this was followed by the purchase of the land and building occupied by the Boston Bakery. In the following year the company added to its Pittsburgh realty to care for future expansion. In 1929, Loose-Wiles Biscuit Co. purchased the entire voting stock of the Green & Green Co. of Dayton, Ohio, manufacturers of biscuit specialties under the trade name "Edgemont" and immediately planned to more than double the existing plant capacity. Last year the Tru-Blu Biscuit Co. operating throughout the Pacific Northwest was added to the lengthy list of subsidiaries. The latest acquisition, completed only last month, was the Schust Co., makers and distributors of crackers, biscuits, candy, confectionery and similar products, with a head office and plant located at Saginaw, Mich., and having various branches adjacent to this town.

Loose-Wiles Biscuit Co. owns nearly all its own plants, which are widely distributed throughout the entire United States. Despite the wide distribution of manufacturing facilities, the company has established a large number of branches which enable it to maintain a still closer contact with its customers, as it is from these branches that most deliveries to individual grocers are made. Between three and four hundred varieties of biscuits and crackers are manufactured and there must be few persons in the United States who have not eaten at one time or another a product of Loose-Wiles Biscuit Co. and fewer still who are unfamiliar with the company's principal trade name "Sunshine."

Strong Capital Position

The capitalization of the company consists of 38,743 shares of 7% cumulative preferred stock of $100 par value, which is callable at $120 per share. This is followed by 548,303 shares of common stock of $25 par value. There is no parent company funded debt although that of subsidiaries totals about $1,000,000. Net income has increased steadily from slightly over $200,000 in 1921 to $2,715,000 in 1929. This was equal to $4.88 per common share and compared with $4.07 for 1928. Showing that the company, despite the "depression proof" character of its business, has not entirely escaped the effects of the present general business recession, the earnings for the first nine months of last year amounted to $1,577,000, equal to $2.73 per share, against $1,792,000, equal to $3.15 per share, shown for the corresponding previous period.

Although the common stockholders of Loose-Wiles Biscuit Co. were forced to wait many years before receiving any return upon their investment, when at last their consistently growing equity "burst its bonds," the rewards of patience were almost overpowering. In 1927 the common stock was split 4 for 1, a stock dividend of 25% paid on the new stock and cash dividends initiated. The present rate is $2.60 per share per annum, while this was augmented during 1930 by three separate extra dividends of ten cents each. The company currently enjoys a strong financial position. As of December 31, 1929, current assets totaled $9,059,000, including $2,247,000 cash and marketable securities, while current liabilities were well under $3,000,000, giving a net working capital of $6,244,000.

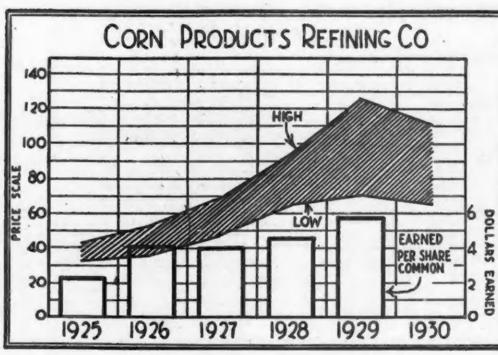
Loose-Wiles Biscuit Co. undoubtedly faces an extremely profitable period. General conditions over the past year or so have been such as to cause the company some inventory loss and a falling off in luxury business, which have not been entirely offset by the advantages of lower commodity prices. Should business stabilize, however, even at these low levels the company would enjoy all the advantages with almost none of the disadvantages of these conditions. The lower prices for grain and sugar will be the cause of a permanently widened margin of profit, although it is a pity that the failure to publish gross sales will make it impossible to directly confirm the progress made along these lines. This widened profit margin coupled with the benefits from the expansion program can hardly fail to result in very material advantage to the common stockholder.

Corn Products Refining Co.

Wider Scope for Corn Sugar

Price	Dividend	Yield
79	$4.25	5.4%

THE recent abolition by the Department of Agriculture of the regulation requiring that foods processed or canned with corn sugar be labelled to that effect should widen the market for this product and therefore be beneficial to Corn Products Refining Co. In the past, sales of corn sugar have been restricted to a considerable extent by this ruling although from a pure foods standpoint the product measures up to the highest standards. Corn Products Refining Co., now producing approximately 400,000 pounds daily, has plans to double its output as soon as facilities can be enlarged and when the increased demand for this product makes itself felt.



The company itself is among the strongest in the food industry, but has attained this position only as a result of the exceptionally sound policies put into effect by its management. The company was incorporated in 1906 as a consolidation of five companies engaged in the manufacture of sugar, oil, starches and feedstuffs, all derived from corn. Although the company's growth during the earlier years of its operations was substantial, its record was clearly marked by the violent fluctuations which the industry in general experienced, and it was not until the war period that the company really began to establish a more stable earning power.

In these years when sugar and butter were at a premium and commanding exorbitant prices, the value of the company's products as substitutes was first thoroughly demonstrated to the consuming public, while new uses for such of its products as corn syrup and cooking oil were rapidly developed by the Foods Conservations Board. The collapse of sugar prices in the post-war deflation period at first carried with it the threat of putting an end to any aspirations on the part of the company in keeping for itself the markets thus gained during the stress period of the war, but, strangely enough, these products were no longer merely substitutes but had developed a market of a permanent nature. This imparted a new character to the company's business, which the management followed up in an aggressive manner by constantly diversifying its activities to provide increasing stability to the earnings.

Originally, Corn Products sold its output in bulk, but later on with the development of specialties, products were branded. These are now sold under the well-known trade names of "Mazola" oil, "Karo" corn syrup, "Argo" and "Linit" starch, "Kremel" pudding powder, "Cerolose," a pure white refined sugar competing with the cane variety, and "Zuma," a liquid chocolate compound. The package business normally constitutes about one-third of the company's manufacturing volume, but probably contributes more than that proportion of the net profits, especially during a period of depression such as the current period. Of the bulk goods, large quantities of corn sugar are sold to ice cream manufacturers, bakers, meat packers and a substantial tonnage to the rayon industry. Starch finds a wide market in many industries.

The company has four domestic plants whose combined capacity is 65% greater than the combined capacity of the three next largest manufacturers. Affiliated companies, in which Corn Products has investments, manufacture and distribute cattle and poultry feeds in this country, and conduct operations in foreign countries, including Argentina, Brazil, Holland, England, and a large plant is under way in Japan. In addition, the company has an investment account of some $32,000,000, represented by substantial blocks of high grade bonds, and stocks acquired before 1927 when prices were still at reasonable levels.

Reflecting the fundamental stability of the industry as well as the diversified nature of the company's business, Corn Products' earnings are holding up in admirable fashion. For the first nine months of 1930, for instance, the net income amounted to $10,130,477, equivalent after preferred dividend requirements to $3.50 a share on the common stock which compares with $3.78 a share for the same period in 1929, a year of record earnings. Inventory adjustments are expected to be of a minor nature only, so that full 1930 earnings will be in the neighborhood of $5, as against $5.49 in 1929. These earnings cover by a comfortable margin the regular dividend rate of $3 plus the extra disbursements which amounted to $1.25 in 1930.

The outlook for 1931 is one of conservative optimism. A gradual widening of the market for corn sugar should result from the abolition of the restriction already mentioned. But more than this, because of the competitive relation between corn sugar and ordinary (cane and beet) sugar, the improved outlook in the latter particularly with respect to an increase from its extremely depressed current price which should come about as a result of the recent restriction agreements among the large world producing countries, will naturally also benefit the price of corn sugar. Low corn prices, the raw material used in Corn Products Refining Co.'s manufacturing process, places the company in a fundamentally strong condition for future operations.

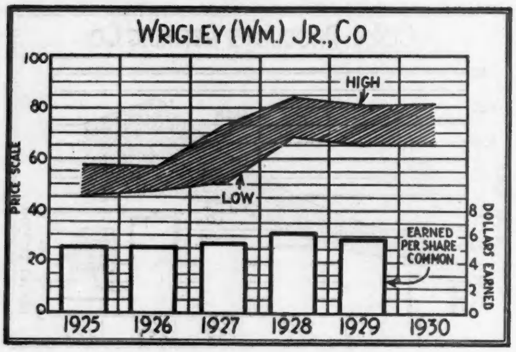
The common stock in 1930 ranged in price from 111⅜ high to 65 low, and is currently selling for about 79. The price range is wide enough for the shrewd purchaser to realize handsome profits by catching the swings at the proper time, but aside from this the stock is an attractive holding for the longer period for the bona fide investor. It is a desirable long term hold to acquire in periods of general weakness.

Wm. Wrigley, Jr., Co.

Has Depression Proof Record

Price	Dividend	Yield
68	$4.00	5.9%

AS the operating and earning results of the various corporations for the year 1930 begin gradually to be made public, it will become increasingly obvious that many industries and companies which were considered previously to be endowed with depression resisting characteristics have not entirely lived up to their reputation. Indeed, the organizations actually qualifying for this select class are exceedingly few, but the mere handful that does make the grade must be considered in a very favorable light from the investment viewpoint, especially if upon investigation they are found to possess attractive possibilities for continued growth under normal conditions.



William Wrigley, Jr., Co., is one of the exclusive group of enterprises which has been able to expand its earning power in good times or bad. In 1930, for instance, a year of depressed business conditions seriously affecting most other enterprises, the earnings trend continued the upward course so characteristic of it in the last decade. Results for the first nine months show an increase of slightly more than 6% in the net earnings over the same period of 1929.

Single Product Company

The name Wrigley, of course, signifies chewing gum to almost everybody in this country and it is on this one item that the remarkable profits of the company are made. Its price is so small that it escapes the economy programs which many people must adopt in times of depression, but it is the aggregate of these small expenditures which amount to a surprisingly larger total.

Wrigley is the leading manufacturer of chicle products, and is associated with the well-known trade names of "Spearmint," "Double Mint," "Juicy Fruit," and "P. K.'s," all of which are retailed for the price of 5 cents, but obtainable through slot machines in exchange for the lowest denomination coin in the country, a penny. So universal is the use of gum, that the company has close to a million outlets for its product in this country and abroad through various retail agencies, in addition to the ubiquitous slot machines. The principal manufacturing plant is located in Chicago, but other units are operated in England, Germany and Australia. In Chicago, also, the company owns a large office building with floor space of about 475,000 square feet.

Advertising is one of the secrets to Wrigley's remarkable success in the chewing gum business. The annual expenditures for this item are estimated to average approximately $4,000,000, but the wisdom of this large expense is clearly indicated by the steadily expanding earnings. Since the company's inception, some $70,000,000 has been thus spent, building up for the company a tremendous good-will, and accounts in a large measure for the leadership and the prestige of the company. Intangible though it be, this item of good-will is one of the most valuable assets of Wrigley, and is carried on the books along with patents, etc., at the modest amount of less than $6,000,000.

In the decade just passed Wrigley's net income increased steadily and uninterruptedly with the exception of but one year, 1926, and in that year the decline was slight. Net earnings for the nine months ended September 30, 1930, were $9,053,046 an increase of 6% over the corresponding period the year before. The full year earnings for 1929 in turn were about 5% above those of 1928 and nearly 20% more than 1927 earnings. If fourth quarter earnings in 1930 equal those of 1929, the per share earnings will be equivalent to about $6 per share on the 2,000,000 no par shares of common stock outstanding, which compares with $5.73 per share in 1929 and $5.70 in 1928.

Simple Capital Structure

The common stockholders have the sole claim to the company's earnings as there are neither bonds nor preferred stock. The stock is rather closely held, which probably accounts for the quiet market and the absence of wide swings in the price. The dividend record extends back to 1913. The current rate is $4 per annum, distributed under the novel policy of the company at the rate of 50 cents in March, June, September, and December, and 25 cents in each of the other months. Prior to December, 1929, the distribution amounted to $3 annually which rate was inaugurated in 1923, but from time to time extras have been declared. In 1929 a 5% stock dividend was declared.

The steadiness of the company's growth, which from present indications should continue, commend it as a desirable commitment for the average investor. Indeed, the stability of the company's earnings in good times as well as bad operate to keep the price fluctuations of the common stock within a relatively narrow range. In 1930, for instance, the high price was 81 and the low 66, while in 1929, a year of widely fluctuating common stock prices, Wrigley ranged between 80⅛ and 65.

The current price of 68, therefore, is very near the lower end of the stock's price range and as there is nothing apparent in the present outlook of the company which would indicate a change in its gradual but steady progress. The price earnings ratio is conservative, with a dividend rate currently returning about 6%. Liberal income return, therefore, is combined with a moderate degree of profit possibility and the stock represents an issue well worth accumulation as opportunity presents itself.

Facts, News and Comments

Gordon S. Smyth, who has had a broad experience in the investment field and is well known throughout the Philadelphia financial district, is now associated with Newburger, Loeb & Co. in their investment advisory department.

* * *

R. R. Wason was recently elected president of Manning, Maxwell & Moore, Inc., to succeed C. A. Moore, who retains his contact with the company as chairman of the board of directors. Mr. Wason will make his headquarters at the main office of Manning, Maxwell & Moore, Inc., New York.

* * *

A new line of visible records to be known as Insite Record Products will be introduced in the near future by the Acme Card System Co. of Chicago. The company has had sixteen years' experience in the profitable visualization of business records, and the new product is said to have been developed by one of the pioneer minds in the visible equipment industry.

* * *

Jackson Bros., Boesel & Co. announce the retirement from partnership in their firm of Lewis B. Hall, Jr., and Samuel C. Dobbs, Jr., and the admission of Andrew B. MacCaughey, William E. Ragland, William H. Fleischmann and William Fletcher Farrell.

* * *

In a speech before the Chicago Financial Advertisers, Don Knowlton, publicity manager of the Union Trust Co., stressed the idea that banks should advertise the sale of credit as well as that of new accounts. "While banks have been concentrating their advertising efforts upon offering to buy unlimited quantities of deposits," he said, "installment houses and financing companies have been building up a tremendous market for credit. In the past banks have never felt that they needed to advertise credit. But now with the need for more sales upon us, I'm wondering whether banks haven't lost out to some extent by keeping it such a secret that they lend money."

Preferred Stock Guide

NOTE: The following preferred stocks are listed solely in accordance with the current yield on each. The sequence of Guide, therefore, does not indicate a preference for one issue over any of the others. Readers should observe a proper diversification of commitments in making their selections from this list.

Railroads

	Div. Rate $ per Share	Earned $ per Share 1927	1928	1929	Redeemable	Recent Price	Yield %
Norfolk & Western	4 (N)	133.40	133.73	132.20	No	89	4.5
Union Pacific	4 (N)	39.85	46.32	49.48	No	86	4.7
Atchison, Top. & S. Fe	5 (N)	40.47	40.21	49.18	No	105	4.7
Baltimore & Ohio	4 (N)	38.44	49.44	48.87	No	78	5.1
Illinois Central Conv. A	6 (N)	54.07	66.28	70.98	115	110	5.5
Pere Marquette Prior	5 (C)	64.08	75.60	55.50	100	90	5.6
Colorado & Southern 2nd	4 (N)	53.76	45.46	37.72	No	67	6.0
N. Y., New Haven & Hart	7 (C)	22.05	34.40	45.47	115	114	6.1
Southern Railway	5 (N)	36.17	32.11	30.21	100	81	6.2
Colorado & Southern 1st	4 (N)	57.76	49.45	41.73	No	60	6.7
Chic., Rock Island & Pac. (5% Cum.)	6 (C)	22.49	23.60	25.14	102	87	6.9
Kansas City Southern	4 (N)	9.04	14.01	16.02	No	57	7.0
N. Y., Chicago & St. Louis	6 (C)	20.31	17.68	20.49	110	75	8.0

Public Utilities

Amer. Lt. & Traction	1⅛ (C)	12.72	**17.20	**21.38	No	29	5.2
Public Service of New Jersey	8 (C)	§16.28	20.92	19.04	No	150	5.3
Pacific Gas & Elec. 1st	1½ (C)	3.49	4.24	4.57	No	28	5.4
So. California Edison "B"	1½ (C)	....	3.28	3.61	28¾	27	5.6
North American Co	3 (C)	31.74	40.22	47.48	55	53	5.7
Columbia Gas & Electric "A"	6 (C)	25.42	30.78	33.95	110	104	5.8
Philadelphia Co.	3 (C)	28.06	21.75	27.58	No	52	5.8
Elec. Bond & Share	6 (C)	....	18.43	29.11	110	104	5.8
North Amer. Edison	6 (C)	63.49	53.15	58.98	105	104	5.8
American Water Works & El.	6 (C)	24.30	31.05	39.11	110	102	5.9
National Pr. & Lt.	6 (C)	38.06	45.38	50.22	110	98	6.1
Engineers Publ. Serv. (w. w.)	5½ (C)	....	8.79	17.65	110	89	6.2
Buffalo, Niagara & Eastern Pr.	1.6 (C)	3.88	4.52	5.19	26½	26	6.2
United Light & Power Conv.	6 (C)	....	....	15.42	105	95	6.3
United Corp.	3 (C)	....	....	4.66	55	48	6.3
Standard Gas & Electric	4 (C)	16.76	14.07	20.39	No	61	6.6
Electric Power & Light	7 (C)	16.21	17.00	19.03	110	103	6.8
Federal Light & Traction	6 (C)	39.67	49.93	51.72	100	87	6.9
Hudson & Man. R. R. Conv.	5 (N)	40.70	37.02	42.89	No	72	6.9

Industrials

du Pont (E. I.) de Nemours deb.	6 (C)	57.03	69.06	78.54	125	119	5.0
Hershey Conv.	†5 (C)	....	16.25	21.36	No	94	5.3
Aluminum Co. of Amer	6 (C)	10.26	14.04	17.19	110	107	5.6
Mathieson Alkali Works	7 (C)	74.06	84.50	93.91	No	123	5.7
Stand. Brands, Inc., Cum. A	7 (C)	125.34	123.40	129.41	120	119	5.9
Brown Shoe	7 (C)	44.12	85.27	44.11	120	118	5.9
Bethlehem Steel Corp	7 (C)	16.32	19.16	42.24	No	117	6.0
Case (J. L.) Thresh. Mach	7 (C)	38.43	32.59	35.06	No	113	6.2
General Mills	6 (C)	....	18.70	18.36	115	97	6.2
Curtis Publishing	7 (C)	19.19	21.48	23.98	120	114	6.2
Bucyrus-Erie	7 (C)	....	39.34	48.31	120	112	6.3
General Cigar	7 (C)	67.32	62.81	85.92	No	110	6.4
Bush Terminal Buildings	7 (C)	‡	‡	‡	120	109	6.4
Commerc. Investm. Trust 1st	6½ (C)	24.36	45.50	81.92	110	102	6.4
Deere & Co.	1.40 (C)	5.15	5.90	9.64	No	22	6.4
Crucible Steel	7 (C)	22.47	22.54	32.65	No	105	6.7
American Sugar	7 (C)	7.97	14.60	15.40	No	100	7.0

C—Cumulative. N—Non-cumulative. § Earned on all pfd. stocks. ‡ Guaranteed unconditionally by Bush Terminal Co. ** Adjusted to basis of present stock. † Regular rate, $4.

READERS' FORUM

An Invitation

In order to extend the scope of the Readers' Forum to the limits of its greatest usefulness, these pages will be devoted from time to time to the discussion of individual personal problems of readers of this publication. Readers are invited to submit their investment and financial problems, in the form of specific questions seeking definite aid or advice. Whenever such inquiries seem to contain elements of general interest to other readers, they will be published in these columns, together with editorial comment or counsel. Questions concerning security recommendations for the investment of a definite fund, or requests for information concerning specific issues of stocks or bonds, however, should be addressed to the Personal Service Department. In order to make the Readers' Forum, a medium of wide personal service and usefulness, suggestions are solicited concerning the types of articles in which readers would be especially interested and subjects concerning which special information is desired. The Readers' Forum, in other words, is not intended to merely offer a place for the expression of readers' opinions or experiences but actually to represent a medium of practical service. We trust that you will make this service feature personally useful and helpful to you.

A Pertinent Question—and a Timely Answer

Editor,
Readers' Forum:

It has become a tradition, that the foundations of great fortunes have been laid during periods of industrial and stock market depression. Are there not unusually large risks and additional dangers, however, that attend the purchase of stocks during depressions? Could you outline a few general principles as to how these dangers can be guarded against so that one can take advantage of the depressed values for stocks in the current market? I am sure that other readers would also be interested in a few words of advice on this subject. Thanking you in anticipation of some future discussion along this line, I am,

Very truly yours,

H. T. C., Chicago.

IT is obvious that during a time of industrial depression there exist, for the common stock investor, many favorable opportunities if only he is able to avoid the pitfalls that also exist. Stocks bought during periods of depression have immeasurably greater profit possibilities than those acquired in a time of general business activity when all junior securities are selling at high levels. As a compensating factor for these greater profit possibilities, however, it is considerably more difficult to make a sound selection when the general trend of the stock market and business appear to be downward than it is when conditions are reversed. Consequently the ultimately successful buyer will need to adopt a somewhat different system from that which proved adequate a year or so ago.

At that time the "blind" purchase of stock in any of the better companies was almost certain to result in a profit, whereas now, it has been indisputably proven that, although United States Steel Corp., for example, may be the only one of its kind and impossible of duplication, too much may be paid for its many fine qualities. On the other hand it is safe to say that should this issue, due to a technical market condition only, sell at one-half, or less, of its recent price, many prospective investors would decline to commit themselves for fear of still lower levels.

No Base for Market Declines

Commodities may fluctuate almost as widely as most securities and yet, over a period of time, the price will tend to assume a level close to the cost of production. Unfortunately in the case of stocks there is not even this somewhat shaky base on which to lean. Under these conditions the tendency to swing from one extreme to the other is a natural one and any conclusion to be even approximately correct must take into consideration certain psychological aspects.

The fear element is doubtless one of the prime motivating factors in the growth of savings bank deposits at the present time. People, whose incomes have been unimpaired, are not spending in their accustomed manner and others, whose incomes have been somewhat curtailed have reduced their expenses in a still greater proportion. This does not imply

that economy, as embodied in gilt-edged investments, is undesirable. The value of surrounding a proportion of one's capital with all conceivable safeguards cannot be sufficiently stressed, but it is suggested that this can be carried too far. There are many who could easily afford to take normal risks who are not doing so and in consequence the present depression has been accentuated. Depression breeds an attitude of ultra-conservative caution. Before buying for ordinary needs, one waits as long as possible. In the stock market, this same attitude of ultra-conservatism also prevails. Everyone waits for the absolute "bottom." This sentiment, in fact, marks an opportunity for the far-sighted investor.

An unbiased attitude is essential. The error of allowing one's own particular environment to color one's outlook, resulting in dangerous optimism or equally dangerous pessimism is a difficult one to avoid. It would be idle to deny that a world-wide depression exists but plans should be based upon the certainty of its not lasting for ever, although the possibility of a somewhat delayed recovery should be taken into consideration, lending reasonable caution to one's actions. The prospective investor who has schooled himself to the idea of making commitments for the long term and bases them upon intelligent diversification and study, will indeed be fortunate with the inevitable return to normalcy.

Selecting the Right Industries

In the first place, the problem confronting the common stock investor at this time lies in the selection of industries. Some are feeling the depression acutely, others are enjoying normal business and yet others are reporting increased earnings. In effect, the choice is one of risk involved. There is less danger attendant to a commitment in an industry with depression proof characteristics than there is in one whose business has slumped, but, on the other hand, the greatest capital enhancement will occur in those industries which mount furthest from the depths of depression to the heights of prosperity. The fact that the greatest profits will, over a period of time, be made from thoroughly deflated stocks in depressed industries has been neglected in favor of steady or increased business and dividend certainty.

The soundness of the arguments advanced for purchasing, during depressions, stocks of companies unaffected by the general slump must be admitted but it is suggested that this is yet another example of the all-pervading caution. The individual investor, having obtained a "backlog" of gilt-edged bonds or their equivalent, as well as a reasonable amount of these "depression proof" issues, might well consider the purchase of small scattered quantities of stock in those companies that *are affected by present conditions*. The theory being that, due to the general pessimism, prices, at any one moment, are virtually lower for companies with reduced earnings than they are for their more favored contemporaries. In this connection, however, it is well to mention that care should be taken to distinguish between those industries with clearly doubtful long term prospects and those which may be said to be more or less temporarily depressed.

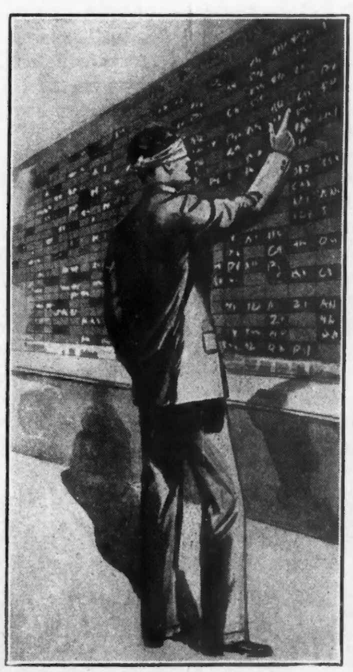
The industry having been selected on the basis of the individual's capacity to afford the degree of risk involved there still remains a wide choice between many companies. This choice will be definitely narrowed by a consideration of asset and financial strength. It is manifestly extremely dangerous to purchase a weak stock in a depressed industry. The company may fail before advantage can be taken of any general upturn that might take place and even should this not occur the company is unlikely to enter the period of improvement other than in a weakened condition. From this a rule may be formulated that it is the part of sound policy to insist upon one's choice being strong financially in proportion to the depression existing in the industry.

The common stock investor must always be on guard against the insidious influence of market prices and the general tendency to make comparisons between prevailing levels and those ruling at some previous period. During a bull market one is apt to refrain from purchasing stock in some company, known to be sound and progressive, on account of a recent rise in market price and similarly when prices decline there is a tendency to buy on the theory that a stock selling last year at $300 per share must of necessity be cheap at $100 per share. The fallacy of this reasoning is obvious and yet almost everyone is susceptible in some degree.

It is readily believable that this fallacy was responsible for the ruin of many in the crash of 1929.

A parallel line of thought is followed by "insiders" who cannot visualize general conditions outside of their own particular company, and history is full of examples of management making desperate and frequently futile efforts to stem a declining price tide in their own stock. All past market fluctuations may be safely ignored by the long term common stock investor who is interested only in discovering whether a sound relationship exists between present price and the business partnership which he is proposing to purchase.

The publication of decreased earnings has been general during the present year but it does not appear strictly reasonable to base an appraisal of a particular company entirely on these reports. Yet present market prices would indicate, in a number of cases that they were receiving precedence over past record and future prospects. If a company's earnings over a number of years have been good and fairly steady there would appear to be sound grounds for considering the present period as a sub-normal one and that with general improvement earnings will again rise to levels approximating those of the previous years. An exception must be made, however, of those companies which have dissipated the surplus built up during the good times in over-expansion and other ways. That is to say that a good past earning record should weigh heavily in a company's favor provided that the present financial condition is such as to make survival almost a certainty.



Avoid Selecting Stocks on a Basis of Their Quotations

Management Factor

The caliber of the management operating a particular company is always of great importance to the common stockholder and never more so than in times of depression, although again this can be overstressed. The tremendous pre-

(*Please turn to page 458*)

This article represents a most convincing argument in favor of employee ownership of stock. It is of particular interest as a sequel to the general discussion on the subject in the previous issue. The author concentrated his funds in the single issue in which he had great confidence and intimate knowledge. Similar experiences with employee stock ownership plans are invited from readers of these columns.

Investing Services and Savings in One Enterprise

Employee Stock Purchase Plan Proves to Be "Best Investment" In This Reader's Experience

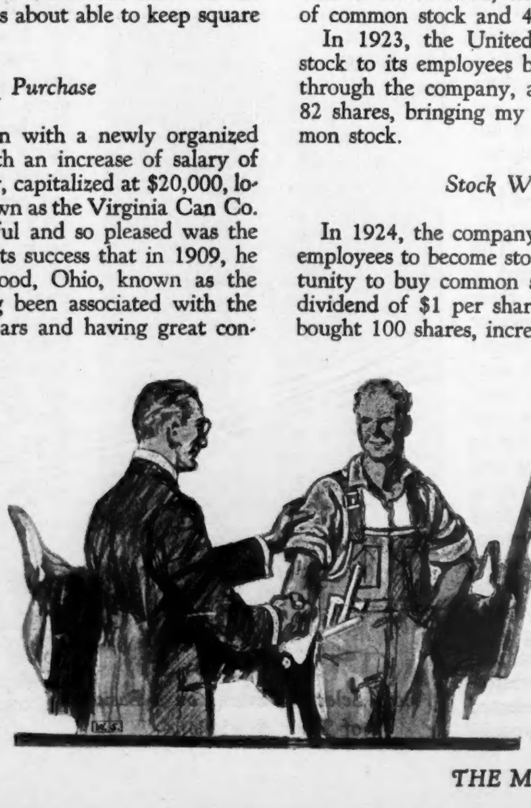
By Alexander Cross

IN 1880, about the time the old hand-made fruit and vegetable tin cans were being supplanted by the semi-hand work, at the age of sixteen, I went to work in a tin can factory in Havre de Grace, Maryland, making cans in the semi-hand way. As improvements in can making machinery came into existence, the old hand and semi-hand method of manufacturing became obsolete.

I continued in the business, becoming operator from time to time on the different automatic machines, constituting a line of machinery for the completion of the can. As an operator on these machines, I was about able to keep square with the world financially.

The First Stock Purchase

In 1903, I accepted a position with a newly organized company, as superintendent, with an increase of salary of 100%. This was a small company, capitalized at $20,000, located at Buchanan, Virginia, known as the Virginia Can Co. This company was very successful and so pleased was the president of the company with its success that in 1909, he organized a company in Norwood, Ohio, known as the United States Can Co. Having been associated with the president during the past six years and having great confidence in his ability as the head of the new company, I subscribed for five shares of the common stock at $100 per share. This company also proved to be very successful, paying dividends after the first year, and on April 1, 1914, issued a 40% stock dividend, along with the regular cash dividend, thus increasing my holdings to seven shares, on which I received regular dividends.



In 1916, another stock dividend of 100% was declared, along with the regular cash dividend which increased my holdings to 14 shares with the privilege of 7% preferred, callable at $115 per share after three years, or common, or part in cash. I divided mine into 10 shares of common and 4 shares of preferred, receiving the regular dividends on both stocks.

In 1919, the United States Can Co. acquired the assets of the Virginia Can Co. and in this transaction, having had 2 shares of the Virginia Can Co., I received 9-1/10 shares each for my Virginia and 10 shares each for my United States stock, which gave me a total of 118 shares of common stock and 4 shares of preferred.

In 1923, the United States Can Co. offered common stock to its employees below purchasable prices other than through the company, at $33 per share. I subscribed for 82 shares, bringing my holdings up to 200 shares of common stock.

Stock With Bonus Dividend

In 1924, the company offered another inducement to its employees to become stockholders by giving them an opportunity to buy common stock at $34 a share, with a bonus dividend of $1 per share, guaranteed for the first year. I bought 100 shares, increasing my holdings to 300 shares of common stock. The bonus dividend on this stock continued for three years.

In 1928, the Continental Can Co. acquired the assets of the United States Can Co. by exchange of stock for the common and cash for the preferred and fractional shares of common that might occur in the exchange. For my 300 shares of United States Can Co. common stock, I received 216 shares of Continental common and $24 in cash. For the 4 shares of United States preferred, I received $400 in cash,

subject to the final settlement of the liquidating committee of the United States Can Co.

In 1929, the Continental Can Co. declared a 100% stock dividend, which increased my holdings to 432 shares of Common stock. In the final settlement of the United States Can Co.'s liquidating committee, I received 33 more shares of Continental common stock and \$56.12 in cash for the preferred stock, making 465 shares of Continental common stock, originating from my Virginia Can Co. and United States Can Co. stock.

In May, 1928, I had bought 21 shares of Continental common stock at \$100 per share, and receiving 100% stock dividend on these 21 shares, brought my Continental holdings up to 507 shares of Continental common stock.

My first \$500 invested in the United States Can Co. is now equal to 155 shares of Continental common stock, and after deducting \$456.12 cash received from the United States preferred and 1/3 of the \$24 cash received from United States common makes the 155 shares worth to me, \$35.88 or around 23-2/10 cents per share.

Under rights to stockholders of the Continental Can Co. to purchase 10% of their holdings at \$60 per share entitled me to 50-7/10 shares, and I borrowed the money from the bank to buy 50 shares, which I sold shortly afterward, together with 50 additional shares at \$86⅝ per share.

In May, 1928, the Continental Can Co. gave the employees an opportunity to subscribe for common stock on a monthly installment plan at \$97.50, together with any stock dividend that might be declared during the payment of this stock. Under this plan, I subscribed for my full allotment, 63 shares, payable at \$1 per share, the shares being entitled to the stock dividend declared in 1929, it makes 126 shares. Also being entitled to subscribe for 10% at \$60 per share gave me 12-6/10 shares more, making my monthly payments \$75 per month, selling 6/10 for \$7.50, the payment for this stock should be completed in 5 years.

My accepting the position with the Virginia Can Co., in 1903, I consider the best investment I ever made, as it made it possible for me to make the monetary investments described in this article, also an accumulation of \$9,000 in bonds, averaging around 5%.

Buying Employee Stock at \$5 a Share

Another Reader's Experience That Suggests Wide Profit Possibilities In Employee Stock Purchase Plans

By L. A. Milford

IN 1914 when the Great War had been in progress but a short time, a new company was in process of formation whose shares were being subscribed for by employees. It seemed to offer great speculative possibilities to those placing funds in the venture, the shares being purchasable by employees at \$5 each. A friend advised me to place whatever funds I had at command in this undertaking, the name of the new organization being International Petroleum, Ltd. The properties, as yet undeveloped but believed to be of great promise, were located in Peru and U. S. of Colombia, South America, having been favorably reported on by Standard Oil geologists. So I managed to get \$500 together, with which I bought 100 shares.

While no happenings of particular importance took place in the first few months following incorporation, the sponsorship of the company and its bright prospects under its able management resulted in an upward movement in the issue marketwise, carrying it to 8½ per share in 1915 against the \$5 which I had paid a few months previous. As the stock was at that time a purely speculative one, paying no dividends, and as a profit was a profit, I decided to take same while I had it and sold my 100 shares at 8¼, thus making about \$300 after deducting brokerage fees.

Feeling highly gratified with myself and the rest of the world, I at once wrote to my friend apprising him of my action and expressing proper gratitude to him for the fine profit he had enabled me to make. Much to my surprise I received a reply immediately telling me to go and buy my stock back at the market and under no circumstances to part with it again unless definitely told to do so. With some misgivings I waited a few days and finally getting up enough courage, succeeded in repurchasing my 100 shares at 8, thus reinstating my original position in the issue. As the stock never afterwards went much below this figure, I must admit being very fortunate in repurchasing so advantageously.

As I recall it, dividends were inaugurated by the company late in 1917 and have been maintained without intermission the past 13 years. Meanwhile the stock advanced steadily in price, with minor reactions from time to time. Acquisition of Tropical Oil in 1920 proved of great importance to International Petroleum in increasing its oil reserves and daily production, already quite heavy, increased further by leaps and bounds. The corporation's five-year expansion program, costing \$25,000,000, and completed I believe in 1924, radically altered transportation facilities by construction of a huge pipe-line from the Colombian oilfields 300 miles north to the coast, was a noteworthy achievement, replacing the antiquated method of carrying oil in barges down the Magdalena River.

All this time International Petroleum shares kept pace with these favorable developments and prospects and by April, 1919, had crossed 35, or seven times my original purchase price. The taking over of Tropical Oil resulted in doubling the capitalization, thus for the moment cutting the price of the stock in two. After the 1921 depression it started to advance again, reaching 27½, equal to 55 for the old stock. It was then again split 2-for-1 so that I now had 400 shares for my initial 100. All through 1923, 1924, 1925 the issue continued its upward trend, touching 35 in December, 1925. This was equal to 140 for the original stock for which I had paid \$5.

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The Magazine of Wall Street's Common Stock Price Index

Fifth Annual Revision

WITH this issue, THE MAGAZINE OF WALL STREET'S Common Stock Price Index enters upon its sixth year. In revising the list of stocks to be included in the 1931 Index, an unusually large number of issues (48 in all) have had to be dropped from last year's array due to mergers, or because these have been stricken from the list by the New York Stock Exchange, or through lack of public interest as reflected in their dwindling volume of activity. In view of conditions that obtained last year, such a comparatively drastic weeding out process has been inevitable in order to keep the Index abreast with evolutionary changes in industry as mirrored in the stock market. New listings naturally fell off considerably last year; so that the number of new active issues (25) added to our list has not been sufficient to prevent a moderate falling off in the total number of stocks included in the Index. A business depression such as we have been passing through is in reality an evolutionary cataclysm by which the industrially unfit are summarily eliminated. If our Price Index is to remain representative of the stock market which survives, it must be remodelled accordingly. It will be observed that the Petroleum and Railroad groups have suffered the largest net loss in the number of component issues.

This is the natural outcome of a considerable number of mergers, consummated and pending in those industries. It will be remembered that only stocks whose transactions in the last year exceeded 500,000 shares are admitted to the index, while those issues previously adopted whose annual transactions fell below 100,000 shares are no longer carried on the index.

As a net result of the foregoing changes in the list, our 1931 Index consists of 405 issues. This compares with 428 stocks last year, 379 the year before, 308 in 1928, 264 in 1927, and 238 with which the Index made its debut in 1926.

Group Changes

Due to the necessity of dropping both of the Shoe and Leather stocks for inactivity, we have had to discontinue that group altogether; and it has seemed advisable to discontinue publication of the Meat Packing group, because the most important of its three component issues has also been removed on account of its inactivity. In place of these two groups we shall now publish regularly the Food Brands and Food Stores groups which have been computed for several years; but not published regularly. In addition to these two changes, the old Marine group has been re-christened under the more suitable name, "Shipping"; and the original title, "Aviation," has been restored to the "Aircraft" group, because of the recent tendency to merge transport and manufacturing activities under one management in this industry.

Assessments

As an outcome of practical experience in computing last year's Index, we have found it advisable to assume that investors simply write off their common stock holdings in

(*Please turn to page* 460)

THE MAGAZINE OF WALL STREET'S Common Stock Price Index

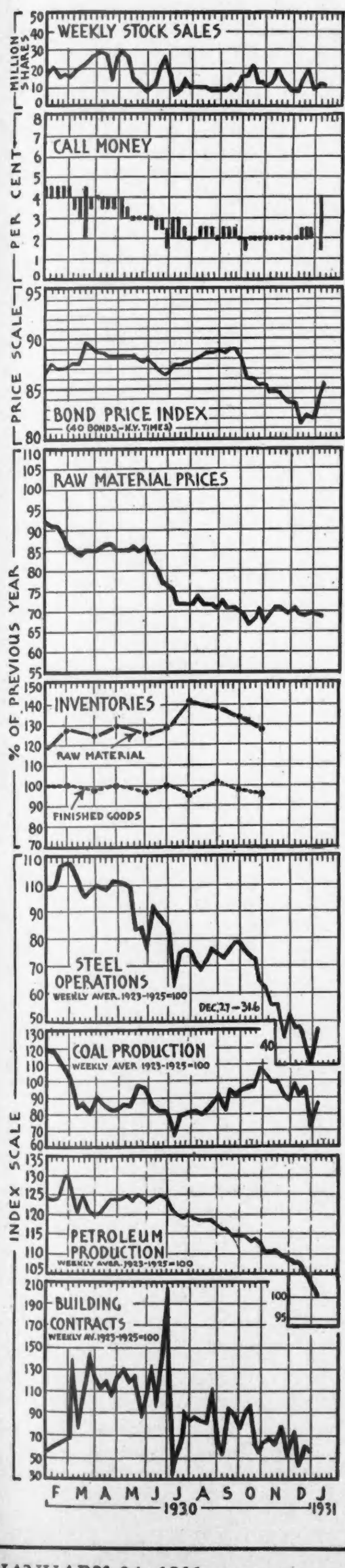
Secular Progress of Group Indexes

Group	Yearly 1926	Closing 1927	Indexes 1928	(1925 Cl.—100) 1929	1930
COMBINED AVERAGE	95.7	116.3	165.4	109.0	62.2
Agricultural Implements	·170.6	300.0	513.2	258.0	112.0
Amusement	115.2	102.9	253.8	129.6	88.5
Automobile Accessories	78.5	91.6	190.2	84.2	47.8
Automobiles	76.4	89.8	133.5	54.2	25.5
Aviation (1927 Cl.—100)	....	100.0	284.4	86.0	39.9
Baking (1926 Cl.—100)	100.0	69.4	82.3	43.4	23.8
Biscuit	120.6	18.70	225.2	189.9	185.5
Business Machines	108.5	159.1	235.0	219.4	128.6
Cans	89.2	119.9	177.7	171.9	157.0
Chemicals & Dyes	105.9	161.1	221.9	220.4	126.0
x-Cigar Stores	99.6	93.2	67.4	9.4	9.6
Construction & Bldg. Material	83.5	99.5	136.9	82.4	48.3
x-Containers (1928 Cl.—100)	....	....	100.0	46.2	32.0
Copper	118.7	177.8	299.6	194.5	70.4
Dairy Products	80.0	70.4	120.4	86.5	83.0
Department Stores	67.0	68.0	86.5	38.0	21.5
Drugs and Toilet Aricles	152.5	162.0	196.0	128.6	83.0
Electric Apparatus	100.2	129.6	183.5	172.9	115.8
Fertilizers	56.5	84.0	106.4	40.8	14.8
Finance Companies	60.2	72.8	178.5	101.4	77.6
Food Brands	81.5	92.1	132.3	81.2	64.4
Food Stores	79.1	100.7	244.1	116.2	50.3
Furniture & Floor Covering	91.6	127.4	185.0	109.2	31.6
x-Gold Mining	67.2	70.0	315.0	264.6	293.8
Household Equipment	103.4	97.0	110.8	57.3	29.9
Investment Trusts	75.2	93.2	154.4	125.7	61.0
x-Lead	73.0	62.4	82.7	34.8	17.7
Mail Order	88.0	149.3	418.6	132.6	52.3
x-Meat Packing	86.0	77.9	104.4	54.2	30.3
x-Mining & Smelting (Misc.)	102.4	134.7	238.0	132.1	72.7
x-Paper & Power	103.0	190.2	132.7	129.0	29.3
Petroleum & Natural Gas	95.3	95.6	164.4	106.7	52.4
Phonographs & Radio (1927—100)	....	100.0	290.0	129.6	37.2
Public Utilities	96.3	129.5	215.5	224.9	150.4
Railroad Equipment	101.4	128.9	127.6	99.2	57.8
Railroads	98.5	132.0	147.1	129.0	69.8
Restaurants	81.4	104.0	131.0	127.2	81.9
Shipping	79.6	74.9	77.4	62.2	28.9
y-Shoe & Leather	69.8	138.3	176.2	79.4	45.8
Soft Drinks (1926 Cl.—100)	100.0	152.9	208.6	198.4	160.4
Steel & Iron	79.7	88.7	138.8	117.3	63.5
Sugar	112.0	89.5	78.7	39.7	12.9
Sulphur	166.1	351.7	286.9	214.0	170.3
x-Syrups	117.0	138.4	213.2	188.0	202.8
Telephone & Telegraph	104.6	123.8	150.1	168,8	97.4
Textiles	92.5	79.0	122.8	49.9	23.7
x-Tin (1928 Cl.—100)	....	....	100.0	80.2	61.7
Tire & Rubber	64.4	96.6	104.0	25.6	10.9
Tobacco	161.6	190.3	180.9	88.4	59.3
Traction	129.5	107.6	186.6	65.2	67.2
Variety Stores	74.6	106.8	124.4	88.7	68.5
x-Zinc	82.5	79.7	239.7	82.3	41.3

x—Not published regularly. y—To be discontinued.

The Magazine of Wall Street's Indicators

Business Indexes



Common Stock Price Index

Number of Issues in Group	Group	1931 Indexes High	1931 Indexes Low	1930 Indexes Jan. 3	1930 Indexes Jan. 10	1930 Indexes Close	1930 Indexes High	1930 Indexes Low
405	COMBINED AVERAGE	71.6	62.2	67.6	71.6	62.2	140.7	59.9
5	Agricultural Implements	119.9	112.0	119.9	118.5	112.0	405.5	105.7
8	Amusement	95.7	88.5	93.9	95.7	88.5	272.0	85.6
22	Automobile Accessories	53.0	47.8	52.6	53.0	47.8	118.1	46.2
20	Automobiles	29.8	25.5	29.8	29.6	25.5	78.4	24.5
4	Aviation (1927 Cl.—100)	55.5	39.9	44.4	55.5	39.9	153.1	35.4
3	Baking (1926 Cl.—100)	32.0	23.3	26.8	32.0	23.3	74.2	23.8
2	Biscuit	202.3	185.5	195.5	202.3	185.5	248.1	179.6
5	Business Machines	136.6	128.6	134.8	136.6	128.6	262.7	123.5
2	Cans	165.2	157.0	165.2	163.9	157.0	226.0	151.8
8	Chemicals & Dyes	131.6	126.0	131.6	126.0	126.0	248.5	124.3
3	Coal	45.2	35.4	41.1	45.2	35.4	107.9	34.4
22	Construction & Bldg. Material	57.5	48.3	52.7	57.5	48.3	121.8	46.2
12	Copper	77.5	70.4	77.5	74.4	70.4	211.7	67.0
2	Dairy Products	85.5	83.0	85.0	86.5	83.0	125.1	80.7
9	Department Stores	22.4	21.5	22.0	22.4	21.5	51.6	20.4
8	Drugs & Toilet Articles	100.2	83.0	88.9	100.2	83.0	142.0	79.4
8	Electric Apparatus	125.8	115.8	123.8	125.8	115.8	239.1	114.9
4	Fertilizers	17.7	14.8	16.3	17.7	14.8	54.4	13.7
2	Finance Companies	77.6	76.1	76.5	76.1	77.6	148.4	68.5
7	Food Brands	67.3	64.4	65.6	67.3	64.4	93.5	62.1
4	Food Stores	55.3	50.3	55.3	54.4	50.3	124.6	50.0
4	Furniture & Floor Covering	42.5	31.6	34.9	42.5	31.6	119.2	30.1
7	Household Equipment	34.2	29.9	32.9	34.2	29.9	92.5	28.6
10	Investment Trusts	74.6	61.0	71.3	74.6	61.0	184.9	58.9
3	Mail Order	61.4	52.3	58.5	61.4	52.3	170.0	51.5
39	Petroleum & Natural Gas	63.2	52.4	60.6	63.2	52.4	142.5	50.9
8	Phono'phs & Radio (1927-100)	46.3	37.2	43.8	46.3	37.2	175.2	36.8
20	Public Utilities	160.5	150.4	159.3	160.5	150.4	305.0	141.1
10	Railroad Equipment	67.8	57.8	61.4	67.8	57.8	115.4	55.5
33	Railroads	86.7	69.8	76.4	86.7	69.8	144.5	67.1
3	Restaurants	85.8	81.9	85.2	85.8	81.9	153.1	78.9
5	Shipping	37.8	28.9	31.4	37.8	28.9	88.8	28.9
2	Soft Drinks (1926 Cl.—100)	162.0	160.4	161.2	162.0	160.4	246.5	150.8
13	Steel & Iron	76.6	63.5	67.8	76.6	63.5	146.5	61.4
6	Sugar	18.0	12.9	13.0	18.0	12.9	45.1	12.2
2	Sulphur	180.2	170.3	179.1	180.2	170.3	268.7	163.0
3	Telephone & Telegraph	107.3	97.4	104.6	107.3	97.4	177.2	92.6
6	Textiles	31.9	23.7	23.8	31.9	23.7	70.5	21.1
7	Tire & Rubber	13.0	10.9	12.0	13.0	10.9	39.0	10.9
9	Tobacco	65.5	59.3	62.3	65.5	59.3	107.3	57.5
5	Traction	72.0	67.0	67.0	72.0	67.0	103.5	63.2
2	Variety Stores	70.4	68.5	70.1	70.4	68.5	88.7	66.5

(An unweighted Index of weekly closing prices; compensated for stock dividends, rights, and split-ups; and covering about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange.)

PERSONAL SERVICE SECTION

Answers to Inquiries

The Personal Service Department enables you to adapt THE MAGAZINE OF WALL STREET to your personal problems. If you are a yearly subscriber, you are entitled to receive FREE OF CHARGE a reasonable number of PERSONAL REPLIES BY MAIL OR WIRE on any security in which you may be interested. The inquiries presented in each issue are only a few of the thousands currently received and replied to. The use of this personal inquiry service in conjunction with your subscription to the Magazine should help you to get hundreds or thousands of dollars of value from your $7.50 subscription.

Inquiries cannot be received or answered by telephone nor can personal interviews be granted. Inquiries from non-subscribers of course will not be answered.

Are You Sure of Your Broker?

We invite correspondence from readers desirous of ascertaining the status of brokers with whom they intend to do business. We make no charge for this service, as we recognize the importance of having our readers deal through reliable firms.

Subscribers wishing to avail themselves of the privileges of the Personal Service Department should be guided by the following:

1. ***Be brief.***
2. ***Confine requests for an opinion to THREE SECURITIES ONLY.***
3. ***Special rates upon request to those requiring additional service.***
4. ***Write name and address plainly.***

GOODYEAR TIRE & RUBBER CO.

Holding 250 shares of Goodyear Tire common at 76, I was somewhat encouraged by the recent statement of Paul W. Litchfield, president of the company, to the effect that the tire industry is likely to be among the first to recover. Shall I continue to retain? Do you think there will be any marked improvement in the value of my stock in anticipation of the peak spring business?—M. M. K., Fresno, Calif.

The Goodyear Tire & Rubber Co., holding a dominant position in the automobile tire manufacturing industry, has clearly demonstrated its strength in the past year, a period in which world-wide trade was curtailed. Its products which include tires and tubes, rubber heels, hose, etc., enjoy wide distribution. The company supplies the total casing requirements of Sears, Roebuck & Co., in addition to distributing its products through dealers and to automobile manufacturers. Goodyear probably is the lowest cost producer in the industry, and efforts are constantly being centered upon further reduction in operating costs. Earnings for the first half of 1930 were comparatively satisfactory, per share results being $2.02 against $7.02 in the first six months of 1929. The report undoubtedly would have been much more disappointing, but for the strength of the company. Results for 1930 will show a sharp falling off from the net income of $10.23 reported in 1929. However, directors recently declared the regular quarterly dividend of $1.25 a share, although they announced that it was not earned due to necessary inventory adjustments. While sharp appreciation in quoted value for the stock cannot be looked for over the near term, particularly in the face of the drastic reduction in tire prices recently announced and the prospect of intensive competition, Goodyear is in a position to benefit from any improvement in business. We suggest that you hold your shares, as the worst of the situation would appear to have been discounted by the present quotations for the issue.

J. C. PENNEY CO.

Last October I bought 100 shares of J. C. Penney common at 46 and thought I was fortunate to pick it up at this price. Now, however, I have a heavy loss. Is the company in a strong financial condition? I am tempted to average if you consider it advisable.—W. S. K., Norristown, Pa.

Through more than 1,450 retail units, the J. C. Penney Co., distributes a well diversified list of merchandise, specializing in clothing, shoes and dry goods. Earnings have increased steadily since 1921, but owing to the falling off in the buying power of the public last year, the report for 1930 is expected to be less satisfactory. The earnings for the first half of 1930, including profit of subsidiaries, totaled $3,047,400, or $1.14 per share of common stock. This compared with $3,725,075, not including subsidiary profits, in the corresponding six months of 1929. The company cut prices sharply in June, 1930, and no improvement in the second half of the year is looked for. The president of the company recently announced that the cash position was highly satisfactory and that inventories were in good shape. Since the report for 1930 may not show any coverage for the annual $3 dividend, we do not favor averaging at this time, preferring to await definite evidence of improved earnings, but would suggest

When Quick Service Is Required Send Us Prepaid a Telegram and Instruct Us to Reply Collect

that you retain present commitments over a period of a year or more.

R. H. MACY & CO.

The recent weakness in the market action of R. H. Macy common worries me for I have 125 shares at 137. Do you attribute this to the price war with other New York City department stores so that the report for current fiscal year will be very unsatisfactory? Even now the stock is selling at approximately 15 times last year's earnings. Shall I close out my holdings taking my loss?—S. E. G., Greenwich, Conn.

R. H. Macy & Co., operating department stores in New York City, Newark, Toledo and Atlanta, holds an enviable position as it sells only for cash in its New York store. Its widely advertised policy of underselling other stores has given Macy's a pre-eminent position among the leading department stores of the world. Turnover in the New York unit in 1929 aggregated $98,688,487, and the total sales of this unit and L. Bamberger & Co. of Newark, acquired in 1929, were $135,856,663. Earnings in 1929 were equivalent to $6.37 a share, but the report for the fiscal year to end January 31, 1931, is expected to show a decline from this amount. It has been estimated that earnings of between $5 and $5.50 a share will be reported. Earnings of the Newark and Atlanta units are believed to have been below expectations and expansion of the New York store, financed out of earnings and surplus, has cut into profits. While the stock has been weak of late, you have an equity in an aggressive, excellently managed enterprise which faces a bright outlook. We counsel retention as a longer term semi-investment.

AMERICAN SUGAR REFINING CO.

My broker tells me that the recent sugar pact with Germany forecasts a substantial rise in American Sugar Refining common during the coming months. What is your opinion? My shares cost me 81. Has the time come to buy more around 50? Is the $5 dividend safe?—F. R. D., Mansfield, Ohio.

American Sugar Refining Co. ranks as the largest domestic sugar refiner, practically dominating the refinery business in the United States. The company's five plants have a total daily melting capacity of more than 8,000 tons, or approximately 30% of this country's entire capacity. About 12% of the company's raw sugar requirements is supplied by its Cuban subsidiary, which owns vast acreage and two factories in that country. In addition the company holds substantial stock interests in several other refining enterprises. Earnings record of the company has been highly irregular, reflecting wide fluctuations in prices for raw sugar, resulting in periodic inventory losses. Moreover, overcapacity of the refining industry has necessarily restricted profits, because of increased competition. Although the company has not reported interim earnings during last year, it is expected that in view of lower prices prevailing for refined sugar, net income for 1930 will register a sharp decline from that of $8.40 a common share reported in 1929. Since the company is primarily a refiner, it is expected to receive but little benefit from a successful curtailment agreement as recommended by the Chadbourne Committee at the Producers' Conference in Brussels. While we are inclined to suggest retention of present holdings at the shares, where the degree of speculative risk involved is not objectionable, we would prefer to await definite signs of improved earnings trend before recommending additional purchases.

AIR REDUCTION CO., INC.

Has Air Reduction started to benefit from its entrance into the field of welding steel and pipe lines? The market action of the stock does not seem to reflect any improvement in earnings which I thought would come rapidly through this broadening of operations. I have 200 shares at 132. Is the stock undervalued under 100 so that it would be wise to average?—E. J. F., Bloomfield, N. J.

Air Reduction Co. is engaged in the production of oxygen, acetylene, nitrogen and other gases, obtaining these products by the condensation of air. Principal customers of the company are the railroads and steel manufacturers, although its field of operations is constantly being broadened, because of important savings in labor which are made possible through the use of its products. Its stockholdings include substantial minority interest in U. S. Industrial Alcohol, with whom it jointly controls the Pure Carbonic Co., the second largest producer of carbon dioxide, and controlling interest in Arco Gas Products Co. of Texas, an important factor in pipe line welding. Earnings record of the company reveals a steady upward trend from 1923 to and including 1929, when net income equalled $7.75 a common share compared with $4.60 a share in 1928. Reflecting curtailed activity of railroad repair shops during the summer of 1930, net income for the first nine months registered a slight decline, per share results amounting to $5.02 against $5.63 on a smaller capitalization a year earlier. With the reopening of these shops during the final quarter of the year, earnings improvement offset part of the losses in revenues incurred during the earlier months, with the result that full 1930 earnings have been officially estimated at $6.25 a share. We believe that resumption of normal business conditions will be reflected in higher prices than are now quoted for its shares, and we endorse moderate commitments where one is prepared to exercise a degree of patience.

MAY DEPARTMENT STORES

Operating the second largest department store group in the United States, May Department Stores common appeals to me as a speculative investment. Would you approve buying it under 35 for a reasonable pull? Is the stock dividend in danger?—E. R. A., Reading Pa.

May Department Stores, operating the second largest chain of department stores in this country, completed an expansion program last year which greatly increased its facilities. Its units have been modernized and as a result greater profit margins are looked for over the longer term. The company reported net income of $4.96 a share for the fiscal year ended January 31, 1930, a decline from the earnings for the previous year, due in part to the expenses in connection with the expansion program. No report for the current fiscal year is available, but earnings in the neighborhood of $3 a share are looked for. The annual cash dividend of $2 will be earned but it is doubtful whether the 5% in stock will be covered. Stock dividends, however, were declared through 1930. In view of the fact that the earnings report for the current year is expected to be unsatisfactory, commitments except for the longer term are not favored at this time.

OTIS ELEVATOR CO.

Otis Elevator common has been recommended to me for semi-investment by a conservative house as a potential leader in the next sustained market advance. Would you consider it a purchase under 60? I understand the dividend is safe.—E. S. J., Aurora, Ill.

The Otis Elevator Co., leader in the manufacture and installation of elevators, has experienced more than 30 years of steady growth. Manufacturing plants and sales and service agencies are situated throughout the United States, while foreign offices are maintained in more than 40 countries. The service

(*Please turn to page 454*)

TRADE TENDENCIES

Improvement in Major Industries Deferred

Some Minor Gains Reported but Trend Not Yet Defined

STEEL

SEASONAL forces now in effect are finding reflection in the steel industry and a small gain in operations is reported as might be expected at this season. Coincident with holiday shutdowns and inventory taking, activity in the closing weeks of December slumped to the lowest point of the year. With the advent of the new year, however, production was accelerated and at the end of the first week *Iron Age* estimated output to be at 41% of capacity and approximately on a par with that at the close of November. The second week brought a further upturn in production to about 44% of capacity and increasing activity is proving a stabilizing influence on the price structure. Of particular significance is the stronger tone displayed by scrap markets. Price schedules are as yet unseasoned and their resistance to any curtailment in demand which may materialize toward the end of the quarter is yet to be demonstrated.

COMMODITIES*

(See footnote for Grades and Units of Measure)

	1930 High	1930 Low	Last*
Steel (1)	$34.00	$30.00	$30.00
Pig Iron (2)....	18.50	17.00	17.00
Copper (3)	0.17⅞	0.09⅛	0.10
Petroleum (4)...	1.45	0.95	0.95
Coal (5)	1.65	1.40	1.55
Cotton (6)	0.17⅛	0.09⅛	0.10⅛
Wheat (7)	1.46⅛	0.96⅞	0.97⅞
Corn (8)	1.19⅛	0.90⅛	0.88⅞
Hogs (9)	11.00	8.00	8.00
Steers (10)	16.50	10.75	13.25
Coffee (11)	0.10⅛	0.07	0.06⅝
Rubber (12)	0.16⅜	0.07⅝	0.08⅛
Wool (13)	0.34	0.28	0.29
Sugar (15)	0.03⅝	0.03⅛	0.03⅜
Sugar (16)	0.05⅛	0.04⅛	0.04⅜
Paper (17)	0 03⅛	0.03⅛	0.03⅛
Lumber (18) ...	20.33	15.03	14.54

* Jan. 12, 1931.

(1) Billets, rerolling, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per lb.; (4) Mid-Continent, 36°, $ per bbl.; (5) Pittsburgh, steam mine run, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 red, New York, $ per bushel; (8) No. 2 Yellow, New York, $ per bushel; (9) 220-240 lb. wts.; (10) Top, Heavies, Chicago, 100 lbs.; (11) Rio No. 7, spot, c. per lb.; (12) First Latex Crepe, c. per lb ; (13) Ohio, Delaine, unwashed, c. per lb.; (15) Cuban, 96° duty paid, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.; (18) Yellow pine boards, f. o. b. per M.

THE TREND IN MAJOR INDUSTRIES

STEEL—The latest reports of the industry reveal a further upturn in the rate of production to about 44% of capacity, comparing with 41% in the first week of the new year. Increasing activity is lending a stabilizing influence to the price structure and scrap markets have displayed a stronger tone. General demand has not been noticeably brisk but orders placed for pipe and structural steel, rails and tinplate have been fairly large.

COPPER—As was generally expected, December statistics for the copper industry revealed the first decline in stocks of refined copper in fourteen months. Blister stocks also declined. While the position has been only moderately improved, it is likely that the effects of the curtailed production will be more fully disclosed in the current month. Prices continue unchanged at 10 cents, domestic delivery, and 10.30 cents for export copper.

PETROLEUM—Recent price cuts in crude oil have had an unsettling effect upon the oil industry and it would appear that, despite reduced output, production is in excess of current requirements. Refinery operations continue curtailed and the most recent report again shows a decline in gasoline stocks after several successive increases. Many companies will be forced to store large supplies of crude, an expensive measure, and earnings outlook is not promising.

MACHINERY—Machinery and equipment manufacturers, with only a few exceptions to be made for those companies manufacturing specialty products, are not likely to show much in the way of favorable earnings in the current quarter. Principal customers such as the automobile, steel, building, agricultural and railroad industries continue in a more or less depressed state and substantial purchases of new equipment, machinery and tools are likely to await definite improvement in general business.

AUTOMOBILES—Reports as to the volume of sales closed at the recent Automobile Show in New York are conflicting. Some dealers have been quoted in a very optimistic vein and others seem somewhat discouraged. This appears to be an important indication. Some companies will be successful in obtaining a fair volume of business, while others are destined to find 1931 a trying year. Most companies, however, are proceeding along cautious lines and production is being held to the limits of demand.

TIRES—Despite the fact that the margin of profit on automobile tires has long been unsatisfactory, leading manufacturers have again cut prices. The latest reductions amounting to between 5% and 12% were said to have been prompted by a desire to meet competition from the mail order houses. The present tactics of manufacturers would appear to preclude the possibility of profits and the outlook seems fraught with uncertainty.

CHEMICALS—The recent price declines in a number of important chemical products appears to have been halted by the action of several manufacturers in withdrawing from the market. Prices although somewhat above the lows recently established are nevertheless very materially below those ruling but a few months ago. Profits, of course, will be affected, although the steadily growing efficiency in the industry will be an offsetting factor.

MEAT PACKING

"Consent Decree" Modified

The "Packers Consent Decree," that unique arrangement whereby the "Big Four" in the packing industry agreed to limit their activities to wholesaling in meat and allied products in exchange for freedom from prosecution under the anti-trust laws, has been modified by the District of Columbia Supreme Court. Unless this decision is reversed by the United States Supreme Court, the "packers" will be enabled to enter the wholesale grocery field and are not unlikely to reinstate their canning activities, both of which can be handled profitably and with a minimum of initial expense by the existing organizations. They are still barred, however, from entering retail trade, so that the "great victory" is not without its adverse side and, although the "packers" have gained some ground, the real object of their campaign has been lost. It has long been a peculiarity of this industry that the margin of profit should be exceedingly small. In fact, earnings are likely to be around 1% of a gross sales volume of a billion dollars or so. It was to widen this profit margin that retail business was desired.

SUGAR

Production to be Restricted

At this time the eyes of the sugar industry are turned toward Europe where an international cartel is in process of formation. It will be remembered that recent attempts at Amsterdam to negotiate such an arrangement proved abortive as the German delegates insisted on an export quota which was considered excessive by the rest of the representatives. The difficulty now appears to have been compromised and a five-year plan restricting exports is expected to become operative very shortly. Although it cannot be doubted but that the sugar industry is in a deplorable condition — many Cuban companies can be bought in the open market for very much less than their net asset value—it remains a question as to whether the remedy lies in artificial restriction and "pegged" prices. Developments in the sugar industry, while not without constructive aspects, must of necessity be tempered by the recollection of "pegged" rubber, "pegged" coffee, "pegged" copper and efforts to "peg" wheat, cotton and other commodities. In none of these cases have the desired effects been more than very temporary, while the resulting disasters appear to be permanent.

"Tips" on Books

BOOK REVIEW SECTION of the MAGAZINE of WALL STREET

FINANCE · ECONOMICS · TRAVEL · FICTION · BIOGRAPHY

THE WORLD'S ECONOMIC DILEMMA

By ERNEST MINOR PATTERSON

Whittlesey House, McGraw-Hill Book Co., Inc.

THE world, as Professor Patterson would have us see it, is an economic unit. Each part depends upon every other part, and, in order that the whole may function at its best, there must be a free movement of peoples and goods.

"Mere interdependence, however, does not create the dilemma, although it does give rise to problems. The perplexing fact is the existence of national units performing economic functions which place them in opposition to other states similarly organized." In other words, then, it is the old conflict of nationalism and internationalism.

In discussing the problem presented by a world economically unified but politically divided, the author delves deeply into the forces which are seemingly making it more and more necessary to lower the barriers existing between nations if some are not to perish while others thrive. The growth and consequent pressure of population, uneven distribution of natural resources, the increasing scale upon which business organizes and produces—all these are factors contributing to the problem.

In a second division of the book are presented the individual difficulties growing out of the interdependence of the great nations of the world, together with the attempts of each to overcome its own particular trouble.

Finally, in one brief concluding chapter are outlined four movements pointing toward a possible solution to the problem: (1) "The gain through commercial treaties," which may bring about reductions in tariffs; (2) "The form of international cooperation found in the trust or cartel," through which may be adjusted quarrels over raw materials and markets; (3) "financial consortiums through which bankers co-operate in their dealings," and (4) "The League of Nations."

Professor Patterson knows his subject and treats it with thoughtful consideration. Perhaps it was due to the exhaustive and forceful manner in which the problem was handled that the solutions offered seem to call for a broader discussion, even at the risk of being accused of spreading propaganda.

THE LIVES OF A BENGAL LANCER

By FRANCIS YEATS-BROWN

The Viking Press

IT was a great day for the reading public which delights in meaty morsels of adventure and yet prefers them delicately served when Francis Yeats-Brown retired from the Royal Flying Corps to devote his time to writing.

The Lives of a Bengal Lancer is his story. Briefly, it treats of his life in India as a hard riding soldier, his mystic life in the cult of the Yoga, and his sports life with his horses and dogs and hunting and polo.

While the descriptions of army and sports life are more than ordinarily entertaining, the chapters which the reader carries away with him are those dealing with the author's search for truth, for those factors, ideas and ideals which set India apart from every other nation.

The search of Major Yeats-Brown for his *gurn* (spiritual advisor) is reminiscent of Kim's attempt to find his master. The latter, however, had the unthinking faith of a child, while the former brings to his search the reason and doubt of a man reared in the Occident with its insistence on the material side of life. He is abruptly thrust into contact with a civilization which was old at the time of Christ, and in which contemplation of self is the beginning and end of the thinker's existence—mind, body and heart playing equal parts in the life of man. As the *gurn* states: "To fly in the air is no miracle, for the dirtiest flies can do it, to cross rivers without bridge or boat is no miracle for a terrier can do the same; but to help suffering hearts is a miracle performed by holy men."

It is difficult to find words to convey the curious interest and charm which permeates the book. It furnishes not only entrancing reading but food for thought.

M. S. D.

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—Know what companies offer the soundest profit possibilities.
—Have all the essential facts all the time.

Explanations of ratings and additional foot notes on page 1 **21**

EARNINGS				PRICE RANGE				Recent Split-up or. Stk. Div.	Comment	
Annual		Interim		1929		1930				
1928	1929	1929	1930	High	Low	High	Low			
†3.13	2.61	†1.84*se*9	2.62*se* 9	112	42⅛	82½	32¼	33 1-3% 7/29	Allegheny Corp. owns 70% of stock	1
10.58	13.22	N.F.	N.F.	210	130	184⅞	100¼	....	Continued upward earnings trend likely	2
N.F.	0.89*de*11	N.F.	N.F.	....	....	17½	5⅜	....	Merged with Cont'l. Chicago Corp.	3
*d*12.26	*d*13.03	*d*6.33*je*6	*d*13.77*je*6	19¾	4	10	⅜	....	Control recently passed to B. & O.	4
*d*3.87	*d*3.54	*d*2.12*se*9	*d*12.31*se*9	43	15	28	14¼	....	Outlook appears dubious	5
6.62	8.43	N.F.	3.78*oc*10	108½	75	89⅞	28½	....	Indicated 1930 earnings $3.20 sh.	6
*d*2.16	*d*1.44	*d*1.29*nv*11	*d*1.24*nv*11	23⅞	7	17¾	4¾	....	Improved traffic and lower expenses	7
2.81	0.95	N.F.	N.F.	44⅞	16	26⅜	4¼	....	9 months' net off but improvement expected	8
3.27	4.63	2.83*se* 9	*d*0.22*se*9	47½	21⅞	37	7⅜	....	Current asset ratio 4 to 1	9
12.89	14.04	12.35*nv*11	5.76*nv* 11	143½	101	125⅛	45¼	....	1930 net estimated $7.30 sh.	10
*d*7.45	*d*2.76	N.F.	N.F.	56	55	45	30	....	Controlled by Chicago & Northwestern	11
4.05	6.23	4.40*se* 9	3.18*se* 9	36	21⅞	32	20½	....	Current asset ratio reported 3 to 1	12
....	....	3.77-*je*	0.73-*je*	50	25	32½	10½	....	Earnings declining since 1927	13
*d*1.12	2.56	0.68*je* 6	1.36*je*6	75⅞	44¼	67⅝	22⅞	....	11 months' sales off 5½%	14
4.52*b*	4.94*b*	N.F.	N.F.	127½	53	65	19	....	Controlled by Anaconda Copper	15
N.F.	N.F.	N.F.	N.F.	115	99¾	126½	125½	....	Controlled by National Biscuit Company	16
†7.03	4.94	5.55*se* 9	0.56*se* 9	135	26	43	14⅛	....	Cash position remains strong	17
A1.12*av*	A1.18*av*	N.F.	N.F.	68½	20	44¼	13⅛	½% mo	11 months' net before reserves up 43%	18
†4.47	†4.69	4.33*oc*10	4.69*oc*10	62¾	39½	49	32⅞	1½% 8-30	Div. maintenance expected	19
12.64*ap*	....	36.06*ap*	5.58*ap*	220	147½	175	140	33⅓% 2/31	Owns valuable New York properties	20
†1.60*je*	†1.16*je*	0.72*oc* 9	0.47*oc* 9	27	7¼	13¼	2½	C	Current asset ratio reported 3½ to 1	21
†4.78	†4.92	5.07*se* 9	1.50*se* 9	61⅞	25	44½	15½	....	9 months' net off 66%; asset ratio good	22
17.69	18.53	N.F.	N.F.	275	225	245	240	....	Controlled & leased by N. Y. Central	23
3.31	4.41	4.05*se*	3.00*se*	118¾	50⅛	93	44½	....	Controlled by No. Am. Edison Co	24
N.F.	N.F.	N.F.	N.F.	79½	69⅞	80	70⅛	....	} Leased to Pennsylvania RR	25
N.F.	N.F.	N.F.	N.F.	45⅜	41⅛	45	42½	....	} High grade investment issue	26
....	4.40*se*	4.41*se*	3.05*se*	32	12¼	35⅞	5⅞	....	Div. reduced from 40c. quarterly	27
3.15*je*	0.01*je*	N.F.	N.F.	33½	2	6¾	2⅛	....	Reported to be covering expenses	28
5.26	1.71	0.85*je* 6	1.34*je* 6	72¾	34½	60	21	....	Reduction of pfd. should aid common	29
10.19	10.25	8.90*se* 9	9.83*se* 9	154½	101	191⅝	133¼	100% 1/29	1930 net estimate about $11.25 sh.	30

A—Before reserves

C—4 sh. common for 1 Cl. B, Jan., 1929

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New York Stock Exchange

RAILS

	1928		1929		1930		Last Sale 1/14/31	Div'd $ Per Share
	High	Low	High	Low	High	Low		
A								
Atchison	204	182⅝	298⅝	195⅛	242½	168	189	10
Do Pfd.	108½	102⅛	104⅞	99	108¾	100	105	5
Atlantic Coast Line	191½	157⅛	209½	161	175½	95¼	113	10
B								
Baltimore & Ohio	125⅝	103⅜	145⅛	105	122⅜	55⅜	78⅛	7
Brooklyn-Manhattan Transit	77⅜	53⅜	81⅞	40	78⅜	55⅛	†58⅛	4
Do Pfd.	95⅝	82	92⅝	76½	98¾	83	†87½	6
C								
Canadian Pacific	253	195½	265⅞	185	52¼	35¼	40⅝	2½
Chesapeake & Ohio	218¾	175½	279¾	160	51⅞	32⅜	41¼	2½
C. M. & St. Paul & Pacific	40½	22¼	44⅞	16	26⅜	4⅛	7¾	..
Do Pfd.	59⅝	37	68⅝	28½	46¼	7⅜	12½	..
Chicago & Northwestern	94¼	78	108½	75	89⅞	28½	40⅜	4
Chicago, Rock Is. & Pacific	139⅝	106	143½	101	125⅛	45⅛	54¼	7
D								
Delaware & Hudson	226	163¼	226	141⅛	181	130⅛	†144½	9
Delaware, Lack. & Western	150	125¼	169⅜	120¼	153	69½	90½	6
E								
Erie R. R.	72½	48¾	93½	41½	63⅜	22⅛	30¼	..
Do 1st Pfd.	63⅞	50	66¼	55½	67⅞	27	†37⅝	4
Do 2nd Pfd.	62	49¼	63⅞	52	62½	26	†31⅝	4
G								
Great Northern Pfd.	114¾	93⅛	128¼	85¼	102	51	64	5
H								
Hudson & Manhattan	73½	50⅛	58⅜	34⅛	53⅜	34⅞	38⅛	3½
I								
Illinois Central	148¾	131⅜	153½	116	136⅜	65¾	86¼	7
Interborough Rapid Transit	62	29	58⅜	15	39½	20⅜	†26	..
K								
Kansas City Southern	95	43	108⅞	60	85⅜	34	†37½	5
Do Pfd	77	66½	70⅛	63	70	53	57	4
L								
Lehigh Valley	116	84⅛	102¼	65	84⅞	40	†56	4½
Louisville & Nashville	159½	139⅝	154¾	110	138½	84	104	7
M								
Mo., Kansas & Texas	58	30⅛	65¾	27⅛	66⅝	14⅞	21¾	3
Do Pfd.	109	101½	107⅛	93⅞	108⅜	60	78	7
Missouri Pacific	76¼	41⅞	101⅜	46	98⅛	20⅜	35⅝	..
Do Pfd.	126⅞	105	149	105	145½	79	†92½	5
N								
New York Central	196½	156	256½	160	192¾	105⅛	120	8
N. Y., Chic. & St. Louis	146	121¼	192⅝	110	144	73	84	6
N. Y., N. H. & Hartford	82⅜	54⅝	132½	80⅞	128⅜	67⅝	86⅜	6
N. Y., Ontario & Western	39	24	32	8	17¼	3¾	7¼	..
Norfolk & Western	198½	175	290	191	265	181½	200½	12
Northern Pacific	118	92⅜	118⅞	75⅛	97	42⅜	55¾	5
P								
Pennsylvania	76⅞	61⅞	110	72½	86⅝	53	59⅝	4
Pere Marquette	154	124⅞	260	140	164½	76½	77½	8
Pittsburgh & W. Va.	163	121¼	148¾	90	121¾	48½	80	6
R								
Reading	119⅝	94¼	147¾	101½	141½	73	†88	4
Do 1st Pfd.	46	41½	50	41½	50½	44½	†41	2
S								
St. Louis-San Fran.	122	109	133¾	101	118⅞	39⅜	45¼	8
St. Louis-Southwestern	124⅛	67½	115¾	50	76⅜	18	†25	..
Seaboard Air Lines	30½	11⅝	21¾	9⅛	12⅛	½	1	..
Do Pfd.	38	17	41⅜	16¼	28	½	1¾	..
Southern Pacific	131¼	117⅝	157½	105	127	88	101⅞	6
Southern Railway	165	139½	162⅛	109	136¾	46½	59	8
Do Pfd.	102¼	96⅝	100	93	101	[illegible]	80	5
T								
Texas & Pacific	194⅝	99⅛	181	115	145	85	100	5
U								
Union Pacific	224⅞	186⅛	297⅝	200	242¾	166½	189½	10
Do Pfd.	87¼	82⅛	85½	80	88⅜	82¼	†85	4
W								
Wabash	96¼	51	81⅜	40	67⅜	11¼	23	..
Do Pfd. A	102	88½	104⅞	82	89¼	39	†46	5
Western Maryland	54⅜	31¾	54	10	36	10	15½	..
Do 2nd Pfd.	54⅞	33⅛	53½	14⅝	38	11¼	†14½	..
Western Pacific	38½	28¼	41⅞	15	30⅛	7½	11½	..
Do Pfd.	62⅛	52½	67¾	37½	53⅛	23	†25½	..

INDUSTRIALS AND MISCELLANEOUS

	1928		1929		1930		Last Sale 1/14/31	Div'd $ Per Share
	High	Low	High	Low	High	Low		
A								
Adams Express	425	195	34	20	37⅜	14¼	19	1.60
Air Reductions, Inc.	99⅝	59	223⅜	77	156⅝	87⅛	98¼	4½
Alleghany Corp.	..	..	56½	17	35¼	5⅜	8½	..
Allied Chemical & Dye	252¾	146	354¾	197	343	170¼	166⅞	6
Allis Chalmers Mfg.	200	115½	75½	35⅛	68	31¼	36	3
Amer. Bank Note	159	74¾	157	65	97⅜	45½	†58	3
Amer. Brake Shoe & Fdy.	49⅛	39⅞	62	40½	54⅝	30	34¼	2.40
American Can	177½	70½	184½	86	156½	104⅝	110¾	5
Amer. Car & Fdy.	111½	88¼	106½	75	82½	24⅛	32	6
Amer. & Foreign Power	85	22⅝	199½	50	101¾	25	32⅝	..
American Ice	46⅝	28	54	29	41⅞	24½	25¼	3
Amer. International Corp.	150	71	96¾	29½	55⅜	16	19⅜	2
Amer. Mchy. & Fdry.	180	129½	279¾	142	45	29¾	34⅞	1.40
Amer. Power & Lt.	95	62¼	175¾	64¼	119⅜	36⅛	47	1
Amer. Radiator & S. S.	191½	180⅛	55⅜	28	39¾	15	17⅝	1
Amer. Rolling Mill	..	..	144⅝	60	100⅞	28	31	2
Amer. Smelting & Refining	293	169	130¼	62	79½	37⅛	44⅜	4
Amer. Steel Foundries	70⅝	50⅛	79⅞	35¾	52¼	23½	26⅝	3
American Stores	..	..	514	120	55⅛	36⅛	37	2½

Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS *(Continued)*

	1928		1929		1930		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	1/14/31	Share
A								
Amer. Sugar Refining	93½	55	94¾	56	69⅞	39¼	†45¼	5
Amer. Tel. & Tel.	211	172	310½	193¼	274¼	170⅜	184⅜	9
Amer. Tobacco Com.	184⅜	152	232½	160	127	98½	107¾	5
Amer. Type Founders	142¼	109⅞	181	115	141¾	95	†100	8
Amer. Water Works & Elec.	76⅛	52	199	50	124⅞	47⅝	56⅛	3
American Woolen	32⅜	14	27⅞	5⅞	20¼	5⅛	10¾	..
Anaconda Copper Mining	120¼	54	140	67¼	81½	25	32⅞	2½
Armour of Ill. Cl. A	28½	11¼	18⅝	5⅛	8⅛	2¾	3½	..
Arnold-Constable Corp.	51¾	35¼	40⅞	6¼	13¾	3⅛	4	..
Assoc. Dry Goods	75½	40¼	70¾	25	50½	19	24⅞	2½
Atlantic, Gulf & W. I. S.S. Line	59⅞	37⅛	86⅞	32⅛	80⅜	33	†35½	2
Atlantic Refining	66½	50	77⅞	30	51⅜	16⅝	20⅞	2
Auburn Auto	..	..	85	40	263¾	60⅜	104	4
B								
Baldwin Loco. Works	285	235	66⅝	15	38	19⅜	22⅛	1¾
Barnsdall Corp. Cl. A	53	20	49⅛	20	34	8⅝	12¾	1
Beech Nut Packing	101¼	70⅜	101	45	70⅛	46¾	51	3
Bendix Aviation	..	..	104⅜	25	57⅜	14¼	18¾	1
Best & Co.	102	53¾	60⅞	25	56¼	30⅜	33	2
Bethlehem Steel Corp.	86⅜	51⅞	140¾	78¼	110¼	47⅜	50½	6
Bohn Aluminum	..	..	136¾	37	69	15¾	22⅜	1½
Borden Company	187	152	100½	53	90⅜	60⅛	69⅜	3
Borg-Warner	..	..	86⅞	26	50½	15	22	1
Briggs Mfg.	63⅝	21⅛	63⅛	8½	25⅜	12⅛	17⅜	1⅝
Bucyrus-Erie Co.	48¾	24½	43¾	14	31⅞	11⅛	14⅞	1
Burroughs Adding Mach.	249	139	96⅞	29	51⅞	18⅜	23	1⅛
Byers & Co. (A. M.)	206¾	90½	192⅞	50	112⅜	33⅛	42⅜	..
C								
California Packing	82⅝	68½	84⅞	63½	77½	41¼	46½	4
Calumet & Arizona Mining	133	89	136¾	73½	89⅞	28⅝	†37⅛	..
Calumet & Hecla	47⅜	20⅛	61⅞	25	33⅜	7¾	9¾	..
Canada Dry Ginger Ale	86½	54⅞	98¾	45	75⅜	30½	33⅜	3
Case, J. I.	515	247	467	130	362¾	83½	86⅝	6
Caterpillar Tractor	..	..	61	50¼	79⅜	22	30½	4
Cerro de Pasco Copper	119	58½	120	52¼	65⅜	21	24	2
Chesapeake Corp.	81⅞	62¾	92	42⅛	82½	32¼	41½	3
Childs Co.	64	37	75⅞	44¼	67⅝	22⅞	26¾	2.40
Chrysler Corp.	140½	54¾	135	26	43	14⅛	16½	1
Coca-Cola Co.	180½	127	154½	101	191⅜	133¼	152	6
Colorado Fuel & Iron	84½	52½	78½	27¾	77	18¾	24½	1
Columbian Carbon	134¾	79	344	105	199	65⅛	80⅛	6
Colum. Gas & Elec.	140⅞	89½	140	52	87	30⅝	34¾	2
Commercial Credit	71	21	62⅝	18	40¾	15½	35	3
Commercial Solvent	250¼	137⅞	63	20⅛	38	14	16	1
Commonwealth Southern	..	..	24¾	10	20⅛	7⅛	9	.60
Congoleum-Nairn, Inc.	31⅛	22	35¾	11	19¾	6¼	8	..
Consolidated Gas of N. Y.	170¼	74	183¼	80⅛	136⅞	78¼	84¾	4
Continental Baking Cl. A	53½	26½	90	25¼	52⅛	16¾	22¼	..
Continental Can, Inc.	128⅞	58	92	40½	71⅝	43½	49	2½
Continental Motors	20½	10	28⅝	6⅛	8¼	2⅛	3⅛	..
Continental Oil	..	..	47⅛	48	30½	7¾	10⅛	..
Corn Products Refining	94	64⅜	126⅜	70	111⅜	65	79	3½
Crucible Steel of Amer.	93	69¼	121¾	71	93⅝	50⅛	57	5
Curtiss Wright, Common	..	..	30⅛	6⅜	14⅞	1¾	4	..
Curtiss Wright, A	..	..	37⅞	13¼	19¾	3	5⅛	..
Cudahy Packing	78¼	54	67⅞	36	48	38⅛	40⅛	4
D								
Davison Chemical	68¾	34⅜	69⅛	21¼	43⅝	10	13½	..
Drug, Inc.	120⅛	80	126⅛	69	87⅜	57⅝	65¾	4
Du Pont de Nemours	503	310	231	80	145¼	80½	86⅝	4
E								
Eastman Kodak Co.	194¼	163	264¾	150	255¼	142⅛	151¾	8
Eaton Axle & Spring	68⅛	26	76¾	18	37¼	11⅝	14½	1.60
Electric Auto Lite	136⅛	60	174	50	114⅞	33	52⅛	6
Elec. Power & Light	49⅜	28¾	86⅝	29⅛	103½	34⅜	43½	1
Elec. Storage Battery	91⅛	69	104½	55	79¼	47½	†52	5
Endicott-Johnson Corp.	85	74¾	83⅜	49¼	59⅝	36⅞	†40	5
F								
Fox Film Cl. A	119⅝	72	105⅝	19⅛	57⅜	16⅛	27½	4
Freeport Texas Co.	109¼	43	54⅞	23¾	55½	24½	32	4
G								
General Amer. Tank Car	101	60⅞	123⅛	75	111⅞	53⅛	59⅝	4
General Asphalt	94⅞	68	94¾	42¼	71⅛	22⅜	28⅛	3
General Electric	221½	124	403	168⅛	95⅜	41⅛	44⅜	1.60
General Foods	..	..	81¾	35	61¼	44⅜	50½	3
General Motors Corp.	224¾	130	91¾	33⅛	54⅛	31½	35⅞	3
General Railway Signal	123⅝	84¼	126½	70	106⅞	56	70⅞	5
Gillette Safety Razor	123⅜	97⅛	143	80	106⅛	18	27⅝	4
Gold Dust Corp.	143¼	71	82	31⅛	47⅞	29	33⅝	2½
Goodrich Co. (B. F.)	109¼	86½	105¾	38¼	58½	15¼	16	..
Goodyear Tire & Rubber	140	45⅛	154½	60	96⅞	35⅛	44¼	5
Granby Consol. Min., Smelt. & Pr.	93	39⅛	102⅞	46¼	59⅞	12	16½	2
Great Western Sugar	38½	31	44	28	34½	7	9½	..
Gulf States Steel	73⅞	51	79	42	80	15	†24	..
H								
Hershey Chocolate	72½	30¾	143⅞	45	109	70	88	5
Houston Oil of Texas	167	79	109	26	116⅞	29¼	39	..
Hudson Motor Car	99⅞	75	92½	38	62⅞	18	22¾	3
Hupp Motor Car	84	29	82	18	26⅝	7½	8⅝	..
I								
Inland Steel	80	46	113	71	98	58	59½	4
Inspiration Consol. Copper	48⅞	18	66¾	22	30⅞	6⅜	8¼	..
Inter. Business Machines	166⅜	114	225	109	197⅛	131	145½	6
Inter. Cement	94⅞	56	102¾	48	75⅜	49½	50¼	4
Inter. Harvester	97⅞	80	142	65	115¾	45¼	50¼	2½
Inter. Nickel	269½	73⅝	72¾	25	44⅜	12¾	15⅜	1
Inter. Paper & Power "A"	86⅜	50	112	57	31⅛	5⅛	†8	..
Inter. Tel. & Tel.	201	139½	149¼	53	77⅜	17⅛	23⅛	2
J								
Jewel Tea	179	77¾	84½	45	66½	37	†40	5
Johns-Manville	202	96¼	242¾	90	143⅜	48¾	61¼	3
K								
Kennecott Copper	156	80⅛	104⅞	49⅜	62¾	20⅛	24⅛	2
Kresge Co. (S. S.)	91¾	65	57⅛	28	36¾	26⅛	26¾	1.60
Kroger Grocery & Baking	132¼	73¼	122½	38¼	48⅛	17⅛	19⅛	1

New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS *(Continued)*

	1928		1929		1930		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	1/14/31	Share
L								
Lambert Co.	136⅜	79⅛	157¼	80⅛	113	70¾	76¼	8
Lehn & Fink	64⅞	38	68½	28	36	21	25¼	3
Liggett & Myers Tob. B	122½	83⅛	106	80¼	114¾	78¼	87⅝	5
Loew's Inc.	77	49⅛	84½	32	95¾	41¾	47½	4
Loose-Wiles Biscuit	88¾	44¼	88⅜	39⅛	70¼	40¼	49⅛	2.70
Lorillard	46⅞	23¾	31½	14¼	28⅛	8¾	13⅛	..
M								
Mack Truck, Inc.	110	83	114¾	55½	88⅛	33⅝	38	4
Macy (R. H.)	187¾	134	255½	110	159¼	81⅝	35¾	3
Magma Copper	75	43¾	82½	35	52½	19¼	22¾	3
Mathieson Alkali	190	117¾	72⅜	29	51⅜	30⅛	26	2
May Dept. Stores	118½	75	108½	45½	61⅜	27¾	31¾	2
McKeesport Tin Plate	78⅜	62½	82	54	89½	61	75	4½
Mont. Ward & Co.	156⅛	115¼	156⅞	42⅝	49⅞	15⅛	17⅞	..
Murray Corp.	124¼	21⅛	100⅞	14⅞	25⅛	9	12⅛	..
N								
Nash Motor Co.	112	80¼	118⅞	40	58½	21¼	32	4
National Biscuit	195¼	159½	236¾	140	93	68⅝	80⅛	2.80
National Cash Register A	104¾	47¼	148¾	59	83½	27⅝	31⅜	3
National Dairy Prod.	133⅛	64½	86⅛	36	62	35	40⅞	2.60
National Lead	136	115	310	129¼	189½	114	†122	8
National Power & Light	46⅝	21⅞	71¾	23	58¾	30	34½	1
Nevada Consol. Copper	42⅜	17¾	62⅞	23¼	32⅜	9	11⅛	1
North American Co.	97	58⅝	186¾	66⅛	132⅞	57¼	67¾	§10%
O								
Otis Elevator	285½	147⅛	55	22¼	80⅜	48¼	56	2½
Otis Steel	40½	10½	55	22¼	38⅞	9½	14⅛	..
P								
Pacific Gas & Electric	56⅛	43⅛	98¾	42	74⅞	40⅛	47½	2
Pacific Lighting	85⅜	69	146½	58⅛	107⅞	46	52½	3
Packard Motor Car	163	56¼	32½	13	23⅜	7¼	9⅛	.60
Paramount Publix	56⅜	47¼	75½	35	77¼	34¾	41⅝	4
Penney (J. C.)	..	..	105¼	66	80	27⅝	29	3
Phillips Petroleum	53⅞	35¼	47	24¼	44¾	11½	14½	2
Prairie Oil & Gas	66⅝	59½	65⅝	40½	54	11¼	13¾	2
Prairie Pipe Line	..	..	65	45	60	16⅝	19⅝	5
Public Service of N. J.	83½	41½	137¾	54	123¾	65	77½	3.40
Pullman, Inc.	94	77⅞	99¼	73	89⅜	47	55⅞	4
Pure Oil	31¼	19	30¾	20	27¼	7⅝	10⅜	..
Purity Bakeries	139⅝	75	148⅝	55	88⅞	36	46⅝	4
R								
Radio Corp. of America	420	85¼	114¾	26	69⅜	11⅜	13¾	..
Remington-Rand	36½	23⅛	57¾	20⅜	46½	14½	16	1.60
Republic Steel	94½	49⅛	146¼	62¼	79½	10⅛	17⅛	..
Reynolds (R. J.) Tob. Cl. B	165½	126	66	39	58⅝	40	43	3
Richfield Oil of Calif.	56	23½	49⅝	20	28¼	4⅛	4½	..
Royal Dutch	64	44⅝	64	43⅛	56½	36⅞	39⅛	3.22
S								
Safeway Stores	201¾	171	195¼	90⅛	122⅜	38¾	41	5
Schulte Retail Stores	67½	35¾	41½	3⅛	13⅛	4	4	..
Sears, Roebuck & Co.	197½	82½	181	80	100⅝	43⅛	48¾	2½
Shell Union Oil	39⅜	23¼	31¾	19	25½	5¼	9	..
Simmons Co.	101⅜	55¾	188	59½	94⅞	11	15¾	..
Sinclair Consol. Oil Corp.	46¾	17⅜	45	21	32	9⅜	11⅝	1
Skelly Oil Corp.	42⅝	25	46½	28	42	10⅛	10⅜	..
Standard Brands	..	..	44¾	20	29¼	14⅛	18⅛	1.20
Standard Gas & Elec. Co.	84⅝	57⅞	243¾	73½	129¼	53⅛	60	3½
Standard Oil of Calif.	80	53	81⅞	51⅛	75	42¼	47	2½
Standard Oil of N. J.	59¾	37⅜	83	48	84⅞	43⅛	48¼	2
Standard Oil of N. Y.	45½	28¾	48⅛	31¾	40⅜	19⅜	24	1.60
Sterling Securities, A	..	..	38	8¼	20½	2⅜	†3⅞	..
Stewart-Warner Speedometer	138½	77¼	77	30	47	14⅝	18¼	2
Stone & Webster	..	..	201½	64	113⅜	37½	44⅜	4
Studebaker Corp.	87½	57	98	38¼	47¼	18⅛	22⅛	3
T								
Texas Corp.	74¾	50	71⅞	50	60⅛	28¼	31⅝	3
Texas Gulf Sulphur	82½	62⅛	85¼	42½	67⅜	40¼	47⅝	4
Texas Pacific Coal & Oil	26⅝	12⅛	23⅞	9½	14½	4	4⅞	..
Tide Water Assoc. Oil	25	14¾	23½	10	17⅜	5⅞	7⅜	.60
Timken Roller Bearing	154	112⅝	139⅝	58⅛	89¼	40⅛	45¼	3
U								
Underwood-Elliott-Fisher	93⅞	63	181¾	82	138	49	57¼	5
Union Carbide & Carbon	209	136⅛	140	59	106⅝	52¼	57⅜	2.60
United Aircraft & Trans.	..	..	162	31	99	18⅜	25⅜	..
United Cigar Stores	34⅝	22⅞	27½	3	8⅛	3¼	4⅛	..
United Corp.	..	..	75½	19	52	13⅞	19⅛	..
United Fruit	148	131½	158½	99	105	46½	56⅛	4
United Gas Imp.	..	..	59⅝	22	49⅜	24¼	28½	1.20
U. S. Pipe & Fdy.	53	38	243⅝	95	38¼	18½	29	2
U. S. Industrial Alcohol	138	102⅛	55⅞	12	139⅜	50½	62¼	6
U. S. Realty	93⅝	61¼	119½	50½	75⅛	25	30⅞	3
U. S. Rubber	63¼	27	65	15	35	11	12⅜	..
U. S. Smelting, Ref. & Mining	71½	39⅛	72⅞	29⅞	36½	17½	22	1
U. S. Steel Corp.	172½	132⅝	261¾	150	198¾	134⅜	141⅜	7
V								
Vanadium Corp.	111⅛	60	116⅛	37⅛	143¼	44⅝	47½	3
W								
Warner Brothers Pictures	139¼	80⅞	64½	30	80¼	9⅜	16⅛	..
Western Union Tel.	201	139½	272¼	155	210¾	122⅛	140⅛	8
Westinghouse Air Brake	57⅜	42⅛	67¾	26⅛	52	31¼	34⅛	2
Westinghouse Elec. & Mfg.	144	88⅛	292⅝	100	201½	88⅛	86¾	5
White Motor	43¾	30¼	53½	27¼	43	21⅝	†25	2
Willys-Overland	33	17¾	35	5¼	11	3⅜	5	..
Woolworth Co. (F. W.)	225¾	175¼	103⅞	52¼	72⅜	51½	57	2.40
Worthington Pump. & Mach.	55	28	187⅜	43	169	47	65⅜	..
Y								
Youngstown Sheet & Tube	115⅝	83½	148	91	150¼	69¼	†72	5

† Bid Price. § Payable in stock.

Securities Analyzed, Rated and Mentioned in this Issue

Industrials

Bonds

Railroads

Public Utilities

Important Dividend Announcements

Note—To obtain a dividend directly from the company the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Ann'l Rate		Amount Declared		Stock Record	Payable
$1.80	Alleghany Steel	$.15	M	1-31	2-18
3.00	Allis-Chalmers Mfg. ...	.75	Q	1-24	2-16
4.00	American Can Co.....	1.00	Q	2-2	2-16
1.40	Amer. Machine & Fdy..	.35	Q	1-22	2-2
10.00	Atch., Top. & Santa Fe.	2.50	Q	1 30	3-2
2.50	Chain Belt	.62½	Q	2-1	2-15
3.00	Cluett, Peabody & Co..	.75	Q	1-21	2-2
4.00	Consol. Gas of N. Y....	1.00	Q	2-6	3-16
5.00	Hershey Chocolate Co..	1.25	Q	1-25	2-15
2.00	Indiana Pipe Line......	.50	Q	1-23	2-14
2.00	Intertype Corp.	.50	Q	1-30	2-16
1.60	Lefcourt Realty Corp..	.40	Q	2-5	2-15
2.00	Macy (R. H.) Co.......	.50	Q	1-23	2-15
5.00	National Supply Co.....	1.25	Q	2-5	2-16
3.00	Oppenheim, Collins & Co.	.75	Q	1-30	2-16
.60	Tide Water Assoc. Oil..	.30	SA	1-31	2-16
.80	Tobacco Products Cl. A.	.20	Q	1-23	2-16
....	Tobacco Products Cl. A.	.15	Ext	1-23	2-16

New York Curb Exchange

IMPORTANT ISSUES

Quotations as of January 15, 1931

Name and Dividend	1930 Price Range High	1930 Price Range Low	Recent Price
Aluminum Co. of Amer.	356	140⅝	142½
Aluminum Pfd. (6)	111⅛	104	107
Amer. Cyanamid "B"	37	6⅜	8½
Amer. Gas Elec. (1)	157	74⅝	70⅛
Am. Lt. & Traction (2½)	89⅛	40	44½
Amer. Superpower (.40)	39⅛	9	10⅝
Assoc. Gas Elec. "A" (2)	46⅛	13⅞	21
British Amer. Tob. (1.17)	28¾	23	19⅝
Central States Elec. (.40)	39¾	7⅞	9¾
Cities Service (.30)	44⅛	13⅛	15⅜
Cities Service Pfd. (6)	93⅞	78¼	81⅞
Cleveland El. Ill. (1.60)	93	44⅛	48⅜
Commonwealth Edison (8)	335½	217⅛	235½
Cons. Gas of Balt. (3.60)	136⅞	78	82½
Consolidated Laundries (1)	16	10	13
Cord Corp.	17⅛	3¾	6¼
Cosden Oil	7¾	1⅛	2⅛
Deere & Co. (1.20)	169⅝	29¼	37¾
Durant Motors	7	1	1½
Elec. Bond Share (6-Stk.)	117⅞	37⅛	40¼
Ford Mot. of Can. A (1.20)	38½	18⅛	23
Ford Motors of France (.28)	12¾	6⅛	7⅛
Ford Motors, Ltd. (.37½)	23⅛	10¼	16⅝
Fox Theatre A	17⅝	2⅛	4⅛
General Baking	4⅜	⅜	⅝
General Baking Pfd. (3)	54⅛	23⅛	28⅛
Glen Alden Coal (8)	121⅛	50	58⅜
Goldman Sachs T.	46¾	4⅜	6¼
Gulf Oil (1.5)	166⅞	58⅛	68
Humble Oil (2½)	119	57¼	60
Insull Util. Inves. (6% Stk.)	71	27⅛	33¼
Internat. Pet. (1)	24	11⅝	14¾
International Utilities B	19⅛	4	6¼
Lone Star Gas (1)	55⅞	19⅝	25
Mo.-Kan. Pipe L. (10% Stk.)	36¼	5	6⅛
Mid. West Util. (8% Stk.)	38	14¾	20¼
Mountain Producers (1.60)	12⅛	3⅜	5⅜
Newmont (4)	141⅞	37⅛	44¾
Niagara Hudson Power (.40)	24⅛	8¼	10⅛
Niagara Hud. Pwr. A—War.	68	1⅝	2
Niagara Hud. Pwr. B—War.	15⅞	4⅛	5⅛
North. States Power A (8)	183½	120	123⅝
Noranda Mines	44½	11⅝	14¾
Novadel-Agene (4¼)	42	22⅝	40½
Pennroad Corp.	16½	5	6⅝
Safety Car H. & L (8)	147	85¾	88
Salt Creek Producers (2)	15¼	5¼	7
St. Regis Paper (1)	34	10⅝	14⅛
Standard Oil of Ind. (2½)	59⅞	30	36
Standard Oil, Kentucky (1⅛)	40½	18⅞	21⅝
Standard Oil, Nebraska (2½)	48⅞	34	36
Trans Lux	13½	4⅛	7¼
Tampa Elec. (2)	96	40¼	51½
Ungerlieder	36¼	18	23¾
United Founders Corp. (2/35 sh. com.)	44	6	8
United Lt. & Pow. A (1)	56	19⅜	23¾
United Lt. & Pw. cv. Pfd. (6)	119⅝	87	95
United Gas	28⅜	6¼	8⅜
Utility Pow. Lt. (1.02½)	28	7⅜	9⅝
Vacuum Oil (4)	97⅞	45⅜	56¼

Must American Investors Finance the World's Recovery?

(Continued from page 411)

is running at the rate of only about $50,000,000 a year, leaving $125,000,000 to be arranged by foreign loans aside from its railway, provincial, municipal and other requirements.

There is also in Brazil the eternal question of coffee valorization in all its ramifications and complications. The new national government proposes to buy up most if not all the outstanding coffee surplus, and to dispose of it along lines similar to the arrangement upon which the international "realization" loan of last April was based. But such an undertaking involves financing far beyond the capacity of the Brazilian government at this time,—in short another loan for coffee at a time when the world is disposed to regard coffee with a malevolent eye. It is possible that the visit of Sir Otto Neimeyer of the Bank of England to Brazil to evolve a plan for the stabilization of the country's currency and a reorganization of its national bank, may have favorable results, but whatever plan may be evolved will certainly involve more foreign financing.

The financial position of Peru, also, is desperate. Whether the new Kemmerer Commission now in Peru for the reorganization of the country's finances will be able to offer a workable plan remains to be seen but there is no question that further loans will be required. Colombia, which needed, or thought it needed, $30,000,000 and more last year and secured practically nothing, has met its immediate needs by short term financing. A short term loan of $12,000,000 maturing recently has been renewed until next June and doubtless it will be merged into a long term loan at that time if the situation is at all favorable.

Short term financing, in fact, is tiding over nearly every country in Latin America; and this short term financing will merge into long term financing at the earliest opportunity. Practically every country in South America faces unfavorable international balances as a result of the fall in the prices of its export products and reduced exports generally and these unfavorable balances can be covered only by foreign loans. Practically all of them have public works programs whose discontinuance would involve heavy loss but whose further progress depends entirely upon foreign loans. All of them require heavy financing but such conditions do not make for good credit.

One of the most dangerous and significant situations in this line has arisen in Australia. Australian finance has been going from bad to worse ever since the war. Its war debt was unduly heavy to begin with while extravagance and bad management have all but completed the ruin of the country's finances. The latest official information available indicates that the Commonwealth has a short term indebtedness of over 36 million pounds sterling in the service of its foreign debt and in meeting its unfavorable balance of payments. This indebtedness can only be met by an issue of bonds and since the debt is increasing the matter is pressing.

In spite of assistance from Great Britain and a promised reorganization of the country's finances the Australian pound at latest reports was at a discount of 15% as compared with the British pound. With the country's foreign exchange controlled entirely by the consortium of banks operating solely through London this discount, coupled with the general financial and economic situation of the country, is rendering it impossible for the service of Australia's foreign debt to be continued without further loans and, admittedly, loans to Australia under present conditions can be justified only as a matter of pulling the country out of a very deep hole. While Australia, primarily, is chiefly a concern of British finance the holdings of more than $200,000,000 of Australian bonds in the United States is too heavy a stake to be risked by a lack of financial co-operation in the rehabilitation of the country's financial position.

The extent of American participation in what may be termed forced financing for various countries in the coming year is problematical, but it is likely to be far larger than American investors may wish, and considerable caution should be exercised in the purchase of foreign securities. Alluring yields should be judged in the light of prospective political stability.

In spite of the great volume of possible flotations it is very doubtful if the volume actually placed this year will be any larger than during the past year and it may not be so large. Speculative issues are not likely to be popular until business has again become normal and it must be admitted that the greater proportion of the offerings in sight are highly speculative. American bankers at present seem averse to long term commitments except of the most attractive sort, even at home; they are much more averse to such commitments abroad. Nevertheless predictions are dangerous. In such times as these the situation may be changed over night. Eventually the world will again borrow money of the United States and in great volume but for some time to come this financing will be upon a new basis.

While most Latin-American issues

are worth more than the prices quoted in the past six months and indeed more than their present prices they were never worth the price at which they were sold. American investors have learned this to their discomfiture and loss. The result is that future financing in Latin America will occur only after a radical reappraisal of Latin-American bond values. New issues will be placed only at higher rates and this fact will serve to keep down the price of past issues to the general discouragement of the investing public. Such also will be the case in Australian issues; in fact the experience of foreign bond investors in the United States in the past year will lead to a reappraisal of foreign bond values generally and the reappraisal is not likely to be very favorable on the whole. Perhaps the sole exception to this general proposition is Canada.

Before any financing other than that for Canada can be undertaken in the American market there must be not only a considerable recovery in the bond market generally but especially must there be a marked recovery in foreign bond values and ample assurance that the new values are stable and well founded.

New York, New Haven & Hartford

(*Continued from page* 427)

tant towns and cities of New England, including those of the rich Connecticut River Valley, as far north as Springfield, and also along the south shore of New England to Boston and intermediary points. With the B. & M. it is a system of over 4,000 miles of steam railroad lines, without taking account of steamships, trolleys and other mediums of transportation which New Haven owns or controls.

It should be borne constantly in mind that the New Haven, in every important respect, is a rebuilt and vastly improved road since the dark days beginning in 1913, when a splendid property, incorporated in 1872, had been practically wrecked, physically and financially, by the ambitious plans of C. S. Mellen, president, to control all the transportation facilities in and along the coast of New England.

Under the leadership of Howard Elliott, E. J. Pearson, E. G. Buckland and J. J. Pelley, with the co-operation and support of the directors, the New Haven has been restored to as high a standard as ever prevailed in the old days when dividends, first at the rate of 10 and then of 8%, were being paid. In many respects the New Haven of today is far better than it ever was.

The present mileage does not differ greatly from that of 1913, when reconstruction began. In most other respects there has been notable expansion. Investment in property September 30, last was $359,154,121 against $192,729,190 June 30, 1913. Total assets on the former date had expanded to $597,196,400 compared with only $490,405,078 17 years earlier, an increase of more than $100,000,000. Share capital is not much different now from what it was in 1913 except for the issuance of $49,036,700 7% cumulative preferred in 1927. Cash surplus amounted to $23,355,944 at the end of 1929 compared with $7,916,557 in 1913.

The increase in gross earnings has been particularly striking, the total reaching $142,458,670 in 1929 against $68,613,503 at the beginning of the dark days in 1913. The expansion in net railway operating income has not been as large in proportion, the figures for 1929 being $33,631,144 and for 1913 $18,316,855. Both gross and net for 1930 were off sharply from 1929.

It would seem certain that whatever allocation may be made of New England roads, New Haven will occupy the key position. New England is a big playground. This makes for a large volume of passenger traffic in winter as well as summer. In all the six states of that section may be found numerous manufacturing plants. This means hauling in raw materials and hauling out finished products. Already reports are being received of some picking up in the widely diversified manufacturing lines.

New Haven has been brought to such a standard and operating expenses are so well in hand, that out of any substantial increase in gross earnings the management will be able to show a relatively large net. In 1929, New Haven earned $11.72 on its common and paid $5.50 a share. In 1930, $6 was distributed on that issue. For that year it is estimated that net income will be something over $7 a share for the common. Even at the latter rate the 7% dividend on the preferred is well secured with a good surplus.

It may be argued that New Haven will suffer especially from bus and truck competition. Undoubtedly it will continue to lose traffic to those new competitors, but it is in the same kind of business. If money can be made by the independents it ought to be made by New Haven, although it is understood that its bus lines have not been profitable on the whole.

Because of its own strong position, and merger possibilities, it would seem that both the preferred and common, particularly the former, offer attractive possibilities for the investor, both in assured return and promise of substantial appreciation. The preferred sold as high as 134¾ in 1929 and as low as 106½ in 1930. The common touched 132½ in 1929 and dropped to 67⅝ last year. Recently the preferred has recovered to 113 and the common to around 88.

Weathering the Storm of Foreign Upheaval

(*Continued from page* 425)

ly high prices attained in 1929. International Telephone, for instance, collapsed from its high of 149¼ to one-seventh of this value at 22, while American & Foreign Power dropped almost as much proportionately from 199¼ to its recent level of 28. Do these abnormally low prices, considered relative to the former high prices, mean that the future prospects of these companies is unfavorable or that potential growth possibilities which formerly loomed so big in their outlook were grossly overestimated? Certainly not.

The rapid expansion which both companies engaged in was necessarily halted in a year of depression such as 1930. Managerially as well as financially, the organizations had to devote their entire efforts toward consolidating the properties already acquired into a smoothly functioning whole and toward conserving their earning power. The impairment in this latter during a period of depression of course affects temporarily the credit standing and the borrowing power of the companies, so that even though additional properties can now undoubtedly be acquired on a basis much more favorable than on many previous occasions, this procedure for the time being must be curtailed. Both companies, moreover, have spent large amounts of money to improve their properties, but because of the depression, the returns on this are not yet fully tangible. Indeed, until these expenditures have justified themselves by actual results, it is probable that further appropriations for this purpose will be held down to the minimum.

Economic improvement is expected to be slower in most foreign countries than in the United States, consequently the recovery of earning power of International Telephone and of American & Foreign Power will also probably temporarily lag. This aspect, however, is apart from the long term outlook. The potentialities of both companies in their respective fields are still very attractive, a fact readily apparent when the high degree of the development in the United States is contrasted with the state of development in the countries in which these organizations have their

properties. The great discrepancies between the two clearly indicate that large opportunities are present.

One of the chief factors which contributed previously to the exceptionally optimistic outlook of the two companies was the vast field open to them for further acquisitions. Two circumstances have arisen which will operate to slow down the rate of expansion through this channel. The curtailment in earning power incident to the depression will tend to stop the flow of capital for this purpose until earnings are again definitely reestablished on a basis which will attract the investment of additional funds. And secondly, there is the competition to be met from powerful European financial groups who are entering the field on a larger scale than before.

The Kreuger & Toll group, for instance, with which are affiliated the Ericksen Telephone interests, and the Associated Telephone & Telegraph Co. with which the Blair-Giannini interests have become identified, will compete with International Telephone for foreign concessions. The policy of the International Telephone organization is to acquire additional concessions only if these can be obtained on a reasonable basis, but the more the number of groups in the field, the keener the competitive bidding. American & Foreign Power will likewise meet with keener competition in this respect, especially with several of the European countries again attaining the status of credit export nations.

The operation of utility properties in foreign countries presents difficulties and problems not encountered in the domestic field and it is these which make utility enterprises abroad more speculative than here. This applies more to the newer countries and the politically volatile countries than to the highly developed and stable countries of Europe. The crisis of 1930 has made these speculative influences very real to the two large American organizations in the foreign utility field. All of this, however, should be attributed as inherent to the operation of utilities abroad. Progress and growth will undoubtedly be resumed when world economic conditions recover and another period of steady progress is entered. The common stock of neither company is of seasoned investment character, but partakes more of the speculation with a fairly attractive longer term outlook. Current prices are abnormally low, so that the danger of further sharp recessions is mitigated, and at some time in the future either of these stocks may experience sharp price appreciation in line with recovery of their earning power and an improvement in their prospects. Both stocks hold considerable attraction for those in a position to assume this type of commitment.

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 30 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, January 5	84.45	170.71	100.28	152.47	148.59	2,087,040
Tuesday, January 6	84.94	172.66	102.27	153.52	149.46	1,906,610
Wednesday, January 7	85.23	171.86	103.91	155.02	152.10	2,140,190
Thursday, January 8	85.19	173.04	104.61	154.20	151.04	1,706,063
Friday, January 9	85.15	170.18	105.04	156.56	151.84	2,794,720
Saturday, January 10	85.19	171.71	105.42	154.05	151.89	778,650
Monday, January 12	84.87	167.90	103.51	153.61	149.90	1,501,220
Tuesday, January 13	84.52	165.96	103.15	150.68	148.09	1,712,890
Wednesday, January 14	84.50	167.46	103.97	150.91	148.41	1,876,345
Thursday, January 15	84.70	163.32	103.06	150.98	146.37	1,932,990
Friday, January 16	84.75	164.94	103.73	148.99	145.90	1,321,240
Saturday, January 17	84.91	162.89	103.41	149.55	147.19	642,220

Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date

	Bid	Asked
Alpha Port. Cement	15	18
Pfd. (7)	116	120
American Book Co. (7)	87	95
American Cigar Pfd. (6)	65	85
Amer. Dist. Teleg. (4)	77	85
Do Pfd. (7)	110	112
Amer. Manufacturing (4)	24	28
Do Pfd. (5)	50	65
Amer. Meter Co. (2)	39	44
Babcock & Wilcox (7)	107	109
Bliss (E. W.) Co. 1st Pfd. (4)	56	..
Cl. B Pfd. (0.60)	9	..
Bohack (H. C.) Co. 1st Pfd. (7)	102	..
Bon Ami, B (2)	..	35
Cleveland El. Illum. Pfd. (6)	108	..
Congoleum Co. Pfd. (7)	99	..
Crocker-Wheeler Elec.	7⅝	8
Crowell Publishing (3)	71	76
Do Pfd. (7)	103	110
Detroit & Canada Tunnel	3¼	3⅝
Dixon (Jos.) Crucible (8)	130	140
Dry Ice Holding	30	45
Fajardo Sugar	35	40
Franklin Rwy. Sup. (4)	50	55
Ludlow Valve Mfg.	115	120
Merck Co. Pfd. (8)	72	76
Murphy (G. C.) (1.60)	35	50
Pfd. (8)	80	100
Neisner Bros. Pfd. (7)	70	76
New Eng. Tel. & Tel. (8)	135½	138½
Newberry (J. J.) Pfd. (7)	93	96
Remington Arms 1st Pfd. (7)	80	85
Savannah Sugar (6)	64	68
Pfd. (7)	80	86
Singer Mfg. Co. (12.50)	332	342
Smith, A. O. (2)	140	150
Standard Screw (8)	90	100
United Porto Rican	10	13
Pfd. (3.50)	20	25
Wash. Ry. & Elec. (7)	410	..
Pfd. (5)	97½	100
Welch Grape Juice (1)	50	55
Do Pfd. (7)	99	..
West Va. Pulp & Paper (2)	32	35
Do Pfd. (6)	97½	100
Wheeling Steel (2)	30	33
Do Pfd. (8)	105	115
Do Pfd. B (10)	105	115
White Rock 2nd Pfd. (20)	190	..
1st Pfd. (7)	102	106
Woodward Iron (4)	25	35

Investing in "Depression Mergers"

(*Continued from page* 421)

situations in which the individual investor may find himself. He may own or buy stock in a large company merging with one very much smaller. He may own or buy stock in a small company merging with one very much larger and finally, he may own or buy stock in a company merging with one or many of about equal size. In the case of a large company merging with one very much smaller, this consolidation in its practical implications is very similar to simple expansion. The large company instead of opening-up another branch finds it preferable to arrange a merger. This will have little effect upon the individual stockholder. His position is likely to be somewhat strengthened and even if the reverse takes place his own company is sufficiently strong to absorb any small loss. There will be little if any trouble with officers and personnel as their respective positions are unlikely to be much altered. National Biscuit Co. is an excellent example of this "merger for expansion" movement. This company is continually taking over, usually for a stock consideration, other small companies in the same business, none of which have been sufficiently large to cause any radical change either in the management or capitalization of the parent company.

Should the individual investor own stock in a small company merging with one very much larger, however, his status is likely to be much altered. Assuming that the small company is sound in every way, a rise in price may be expected. During a bull market this is likely to be very great and past history clearly indicates that there is no better opportunity to accept one's profit than shortly after the merger plans are published. The merger in April, 1928, between the American Power & Light Co. and the Montana Power Co. is a case in point. At the beginning of the year 1928 the common stock of the Montana Power Co. was quoted around $100 per share, while some four months later the price had risen to about $170 per share, the most advantageous price at which one could have sold to date. In a time of depression there is usually no such opportunity to obtain an inordinately large profit and for this reason, if on inquiry the parent company appears sound, it is the part of good policy to accept their offer and continue the investment for the "long pull."

There is finally the case where stock is owned or bought in a merger between a number of companies of about the same size. This is the most complicated and difficult about which to generalize. During a bull market the enthusiasm is sure to be enormous, while the difficulties, which are apt to be considerable, will be entirely ignored. The stockholder who accepts a reasonable profit and then watches developments for a year or so will probably have reason to congratulate himself upon his acumen. After this period of probation, he may re-invest, but this should be done on the basis that the company is now an entirely different one to that in which he was previously committed.

During a time of depression like the present, the investor's procedure will be altered. He may take it that the merger has definitely strengthened his position and that any small stock market rise is no more than recognition of this. Even should the merger subsequently fail, he is comforted by the extreme likelihood that his own company as an independent unit could hardly have fared better. In short, in a "depression merger" there is little to be lost and much to be gained.

Answers to Inquiries

(*Continued from page* 441)

department is continuing to show gains, and this branch has tended to stabilize earnings somewhat during periods of declining new business. Despite the business setback, profits for the first nine months of 1930 declined only about 7.3% from the levels for the similar period of 1929, per share results totaling $2.46 and $2.66 respectively. Full year 1930 income may reach the equivalent of $3.50 a share, which would cover the annual dividend of $2.50 a share by a good margin. Business on the company's books at the beginning of the current year was reported to be in good volume, considering business conditions and we recognize longer term possibilities in these shares. Purchases are favored during periods of market weakness.

STANDARD BRANDS, INC.

How do you rate Standard Brands common at this time? In 1929 I bought 500 shares of this stock at 40 with the hope of substantial profits through participation in the progress of such a large organization. What are the possibilities for some realization of them in 1931? Is the $1.20 dividend secure?—E. P. H., Muskegon, Mich.

Standard Brands, Inc., manufactures a broad line of food products, including yeast, baking powder, gelatins, condiments, pickles, olives, dressings, teas and coffees. The management has been conservative in the valuing of its properties and business, writing down such intangible assets as good-will, patents and trade marks to $1. Since the company's inception all costs incidental to the consolidation have been charged to current expenses rather than capitalizing them to be charged off during later

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We have available for distributing descriptive circular on all the Standard Oil issues. (219).

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John Muir & Co., members New York Stock Exchange, are distributing to investors their booklet "Odd Lot Trading," which explains the many advantages diversification offers to both large and small investors. (225).

THE BACHE REVIEW

A summary of the general financial and business situation, published every week by J. S. Bache & Co., 42 Broadway, New York. Sent on application. Readers of the Review are invited to avail themselves of the firm's facilities for information and advice on stocks and bonds. Their inquiries will receive careful attention without obligation to the correspondent. In writing please mention the Bache Review. (290).

FOR INCOME BUILDERS

The booklet describes a practical Partial Payment Plan, whereby sound securities may be purchased through monthly payments of as little as $10. Shows how a permanent independent income may be built through the systematic investing of small sums set aside from current earnings. (318).

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of a Colorado building and loan association operating under strict state supervision—their investment features and why—are explained in an interesting folder. (467).

"WHAT IS THE CLASS A STOCK?"

An analysis of the Class A Stock of the Associated Gas & Electric Company, including charts, figures and descriptive information indicating the progress of the properties back of Associated securities. (492).

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Tells you how you can become financially independent—how you can retire on an income—how you can provide money for emergencies—money to leave your home free of debt—money for other needs. Your free copy is awaiting your request. (703).

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The Investment and Business Forecast, a security advisory service conducted by The Magazine of Wall Street, definitely advises subscribers what securities to buy or sell short and when to close out or cover. Current weekly edition and full particulars sent without obligation. (783).

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The handbook on Trading Methods, issued by Chisholm & Chapman, contains much helpful information for traders. A copy will be sent to you upon request together with their latest Market letter. Ask for 785.

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A pocket size form for the listing of stocks and bonds will be forwarded upon request without charge. Otis & Co., 216 Superior avenue, N. E., Cleveland, Ohio, or 827.

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"FACTS ABOUT LUMP-SUM INVESTMENTS"

is the title of a 4-page booklet issued by the Farm & Home Savings & Loan Association of Nevada, Missouri, one of the largest building and loan associations in the United States having assets of more than $55,000,000. Their various types of investment are outlined in this booklet, which will be forwarded without obligation upon request. (847).

HOW TO RECOGNIZE A GOOD UTILITY BOND

When good business recedes, it is best to have investments in an industry that holds like an anchor against the tide. Electricity and gas are such industries. During 1930 general business activity was 10% below normal and 17% below its 1929 level. Yet during the first ten months of 1930 the electric light and power industry's gross revenue increased 3.9% over 1929. Ninety per cent of the income of the Associated Gas & Electric Co. is derived from the sale of gas and electricity. To enable investors to study the sound investment merits of the bonds issued by this company, a comparative analysis of Associated bonds and other utility bonds, based on tests such as are used by insurance companies and investment banking houses, has been prepared. A copy may be obtained upon request. Ask for 849.

"TRAINING FOR BUSINESS LEADERSHIP"

You owe it to yourself to find out how the Babson Institute may provide a direct route to business achievement for you. Learn more about the intensive nine months' business course by sending for your copy gratis of "Training For Business Leadership." (851).

COLUMBIA GAS & ELECTRIC CORPORATION

The 5% Gold Bonds of this giant public utility corporation are recommended by A. G. Becker & Co., prominent investment bankers. Priced at 98 and interest to yield over 5.13 (subject to change), these bonds will make a valuable addition to your portfolio. (855).

BOUVIER MARKET LETTER SECURITIES MANUAL

issued by this well-known New York Stock Exchange firm, established in 1869, will be forwarded without charge upon request. Simply ask for 856.

JACKSON BROS., BOESEL & CO.

have issued a market letter on the more important issues of the day, which will be forwarded without charge upon request. Ask for 857.

GENERAL MOTORS

An attractive Review of interesting facts on General Motors Corporation has been prepared by Springs & Co., members of New York Stock Exchange, and a copy will be forwarded upon request without obligation. (858).

UTILITY STOCKS

are again at buying levels. A review has been prepared containing comment on the companies comprising this group and a copy will be forwarded to you without charge. (859).

CONVERTIBLE SECURITIES

Considering the present favorable outlook for the bond market and the low level of stock prices, fixed income bearing securities, carrying stock conversion or purchase privileges, appear to offer unusual possibilities. Pynchon & Co. have prepared a list of convertible bonds which are now available on most attractive income bases. Send for free literature. (860).

periods. Thus, profits of the company have been curtailed by heavy advertising costs and unusual expenses in facilitating a smooth sales and distributing organization. Over the longer term this policy should work to the company's advantage. Net income for the first nine months of 1930 amounted to $11,857,594, or 88 cents a common share, after allowance for preferred dividends, compared with dividend requirements on the junior shares of $1.12½ during the period. It was therefore deemed advisable by the directors to reduce the rate to $1.20 per annum, which rate appears reasonably secure over the medium term, at least. It is expected that full 1930 returns should show a small surplus after such requirements. Financial position is said to be strong, and we counsel retention of its shares purchased at higher levels.

MONTGOMERY WARD & CO.

Do you think the present price of Montgomery Ward has discounted the worst? I have been told that this company faces a long, hard road to recovery, because of the uncertain agricultural situation. Is this offset by the sales through stores located in the more populous centers? Shall I continue to hold 100 shares which average me 69?—H. J. O., Sandusky, Ohio.

As an enterprise engaged in the mail order business, Montgomery Ward & Co. has long occupied an outstanding position. Improvement of roads and highways coupled with the extensive use of automotive transportation in recent years have had a tendency to reduce mail order sales, with the result that in the latter part of 1927, the management launched an energetic expansion program in the retail chain store field. Thus, we find the company operating over 530 chain and department stores. Although this new policy did not add many new customers to its list, it is gratifying to note that the company's position was strengthened from a competitive standpoint. Catering to the rural trade, it is only natural that the company should be adversely effected by the distressing agricultural factors predominating during the greater part of 1930. Contributing elements to the company's lower dollar sales volume during the year were drought, curtailed buying power of the farmer and lower prices received for its products. Moreover, inventory losses incurred during the year were largely responsible for the deficit of $2,848,000 reported for the nine months ended September 30, 1930. Sales for the full calendar year amounted to $272,319,625, a decline of approximately 6.6% from that reported for the previous year. The annual report of the company for 1930 is expected to show meager earnings. Financial condition is strong, however. Substantial improvement in company's earnings must necessarily await more favorable business conditions, with the result that a sharp upturn in profits is not anticipated during the early months of the current year. Nevertheless, current prices for its shares give ample recognition to these unfavorable factors, and we believe that where one is not averse to exercising a degree of patience, confidence in the future prospects of the enterprise should be maintained through further retention of the shares. Fresh purchases should be deferred, pending definite signs of recovery.

AMERICAN TOBACCO CO.

I was pleased with the way American Tobacco B held up during the severe liquidation of last year. My 60 shares cost me 106 on the basis of the recent split-up so that even now I have a paper profit. Would you recommend taking on 40 additional shares in the 110-115 range?—E. M. F., Niagara Falls, N. Y.

The American Tobacco Co. ranks as the leading enterprise in the industry, operations in recent years being concentrated primarily in the cigarette field. Best known of the company's products is the "Lucky Strike" brand of cigarettes, although "Sweet Caporal," "Pall Mall" and "Lord Salisbury" cigarettes and "Bull Durham," "Half and Half," "Tuxedo" and "Blue Boar" smoking tobaccos have been favorable contributing factors to the company's highly successful record in past years. Sales of "Lucky Strike" cigarettes for the eleven months ended November 30, 1930, were 5,566,580,000 in excess of those for the corresponding period of 1929. It is evident from these figures that the company has received considerable benefits from its intensive advertising and sales campaigns. Moreover, sales of "Cremo" cigars during the eleven months established a new high record of the entire history of the industry, registering an increase of 151,309,000. No earnings data are available since that published for the first five months of 1930, when net income amounted to $3.74 a share on the combined common and B stocks. However, despite heavy advertising expenses incurred during the year, full 1930 results are expected to at least equal those of $8.50 a combined common and B share reported for 1929. The B shares, in our opinion, are deserving of investment merit, and we would be willing to endorse commitments during market recessions.

For Features to Appear in the Next Issue See Page 403

Pillars of Prosperity, 1931 Model

(Continued from page 417)

education, salaried executives, fuel, amusement, insurance, newspapers, dairy products, food, soap, drugs, tobacco, government clerks and officials, professional services and (for the most part) retail store clerks.

Outside of these lines there are millions of others, representative usually of the most substantial and better paid part of their division of endeavor, who work in the more depressed industries and lines in spite of the depression which has caused complete or partial unemployment in their respective classifications. It is probably not too much to say that between 70% and 80% of the population suffer little from involuntary idleness during an economic readjustment.

The stimulus supplied by these pillars of prosperity gradually sets in motion new forces. These new forces recall to work the less fortunate unemployed, most numerous in such divisions as building, steel, copper, lower grades of factory labor, mechanics, clerical help, lumbering, construction materials, heavy machinery, machine tools, luxury manufacture, clothing, textile, shoes, automobiles, automobile accessories and parts, advertising, office equipment and supplies, salesmen, personal services, etc.

What Industries to Watch

The purpose of these thoughts is neither entertainment, nor desire to "cheer up" the reader, nor ambition to contribute a new angle to the theory of business crises. The whole presentation leads up to the matter of what industries will show early improvement and would hence merit investment consideration.

The best informed now concede that the business depression reached a definite climax in recent weeks; and that the January trend of trade has been "flat," bordering on almost invisible minor improvement. This means that the surplus of manufactured goods (as distinguished from the surplus of commodities) must be disappearing—that definite and significant progress has been made in removing one of the most important causes of business stagnation.

Because of sobered investor psychology, the securities which sustain the earlier price improvement should be those of the industries which first feel the stimulus of new buying power. A

long chastised stock market is unlikely to commit many offenses in discounting too far into the future. In the year 1931, realism will be in the ascendency; not romance.

In an orthodox recovery in trade, the shoe, clothing and building industries should show the earliest improvement. Sometimes two relatively unimportant industries, railroad equipment and shipbuilding, neither of which seems to follow business cycles with much accuracy, also supply an early stimulus; and this year the outlook for shipbuilding seems to be particularly good. Our high standard of living may call for more simple luxuries at an unexpectedly early date. Public works, initiated partly as relief measures, will be helpful in increasing the demand for construction materials, lumber, steam shovels, trucks, etc. There will be some improvement in the demand for steel and copper; but the big demand for metals, both ferrous and non-ferrous, does not come until the boom period is approached. Steel shares and copper stocks are not the popular securities of the early recovery period. While the utilities may not enter into expansion programs with the same enthusiasm of early 1930 their near term progress should contribute substantially to moderately improving business.

There is always a hang-over preference for depression-proof issues. The unpleasant experiences of the corrective period are fresh in mind. Annual reports revealing sustained earning power for utility, food, tobacco, drug, soap, chemical and retailing companies are bound to make an impression which prompts investment in the industries represented.

Automobile Stimulus Late

So far, we have made no mention of one industry which was certainly a pillar of prosperity in former years. In 1930 it did not measure up to this standard but it is nevertheless still an important source of potential demand and will be until it is supplanted by another industrial development of equal proportions. Our normal replacement demand for automobiles is between 3,800,000 and 3,900,000 cars and trucks, assuming a life of 6¾ to 7 years. In 1930, only about 3,500,000 units were made for new purchasers, exports and replacements combined; and all but about 800,000 of these were Fords and Chevrolets. The potential replacement demand in the middle-priced field must be large; and it is the population strata least hurt by the depression which buys middle-priced cars.

Perhaps the first half of 1931 will see only the promise of support from this industry, but late 1931 and early

1932 should witness somewhat larger contributions to the prosperity accumulation from this outstanding source.

Two years ago popular writers were exaggerating the self-perpetuating qualities of the economic phenomena which made possible the so-called Coolidge bull market, frequently ignoring or explaining away the experience of the past in their confidence that sort of a prosperity millennium had arrived. Today another set of popular writers, economists and executives are seeking to solve what they call "the problem" of ending a world-wide depression.

Most thought of this kind gives too much attention to complicated details, and dwells too little on first principles. The modern system has provided its own order of checks and balances; and they function automatically when amateur financial mechanics do not tinker too much with isolated, inter-dependent and half understood parts. The best laid plans of the most intelligent men terminate neither booms nor depressions; the system itself provides its own correctives. Economic law, like nature, moves according to its own time table.

After a certain point in the trade cycle is reached, unemployment begins to produce employment, rather than to reproduce more unemployment. Those who have been employed throughout the distress period, always a vast majority of the whole number of breadwinners, provide the accumulated buying power which starts us back on the road to better times, with the key industries mentioned above in the lead.

A Pertinent Question—and a Timely Answer

(Continued from page 435)

miums paid for investment trust stocks last year is an excellent example whereby nothing but a series of miracles on the part of the management could have justified the cost. Management, however good, is after all only human and no one can be expected to take a moribund company in a chronically depressed industry and make a financial giant of it, all in the twinkling of an eye. A study of past record is the only way in which an even approximate rating can be given to this important factor and in this connection past experience of "hard times," the years 1920 and 1921, for example, should be favorably interpreted.

Finally the investor, who realizes that it is now no more logical to have one's entire capital in gilt-edged investments, than it was to be solely interested in common stocks during the years 1928 and 1929, is far along the road to the attainment of an investment ideal, which, over a long period, will provide a steady income and equally steady capital appreciation.

Buying Employee Stock at $5 a Share

(Continued from page 437)

Several times I had been strongly tempted to sell and would have done so had I used my own judgment alone. But whenever I consulted those on whose advice I had made my first purchase the reply was always the same, "Hold on." Now, however, I was really getting impatient and resolved to take profits. In January, 1926, I sold my entire holdings at 34½ per share, receiving approximately $14,000 in place of my original commitment of $500.

Of course my interest in International Petroleum lessened considerably after parting with my shares, but has been great enough to note one fact since, viz: the company's output in Colombia of 445,000 bbls. in 1924 had increased to 19,896,000 in 1929 which sensational gain probably accounted in no small measure for the advance in

BUILDING AND LOAN ASSOCIATIONS

We will be glad to answer questions regarding Building and Loan Associations, provided that the information available on the association under consideration is sufficiently complete to warrent an opinion. Address, Building & Loan Ass'n Department, c/o The Magazine of Wall Street, 42 Broadway, New York City.

Texas

7% NOW BEING PAID ON TERM INVESTMENTS

Conservative—dependable. Established in 1921. Capital and surplus, $4,500,000.

Nineteenth semi-annual dividend Jan. 1, 1931. Total for 1930, $289,692.75.

Reference, any bank in Fort Worth.

Investment plan for every need.

Literature on request.

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UNDER SUPERVISION OF THE STATE BANKING DEPARTMENT 711 MAIN STREET

CAPITAL AND SURPLUS $4,500,000.00 FORT WORTH, TEXAS

7% FULL PAID SHARES

Earnings Paid Semi-Annually in Cash

Assets Over $3,250,000

Security Building & Loan Ass'n

201 Broadway

SAN ANTONIO, TEXAS

NON-TAXABLE INVESTMENTS

7% Shares issued in multiples of $100. Dividends paid semi-annually in cash on fully paid shares with no fees; and compounded semi-annually on prepaid shares. Reserves exceed $90,000. Under State Banking Dept. supervision.

Assets More Than $1,200,000

A Reserve Fund Association

Write for literature and particulars.

Texas Plains Building & Loan Association

111 West Sixth Ave., Amarillo, Texas

To Building and Loan Investors:—

We are endeavoring to give our subscribers and readers more explicit information on their B. & L. holdings. Therefore, we will be pleased to give you an opinion on any individual Association located in the United States, provided we have available data on which to base an opinion. Address Building & Loan Association Dept., The Magazine of Wall Street, 42 Broadway, New York City.

Missouri

THE Farm and Home Savings and Loan Association of Missouri, with assets of over $55,000,000 and reserves of over $10,500,000, has a plan to offer for temporary investment of reserve funds that are being held for revival of greater business, yielding a minimum of five per cent, with availability of funds upon thirty days' notice in sums of $200,000 or less to any individual or firm, and larger amounts upon terms and conditions that may be agreed upon between the applicant and our Board of Directors.

There are many millions, even billions, of funds lying idle, which if put to work in building and loan associations for loans on construction of new homes, would go far towards helping the present idle labor situation. Every dollar so loaned will have a buying power of at least ten dollars per month.

We especially point with pride to our 37 years of successful service and performance during economic changes, and that at no time has there been fluctuation of values in money placed with us.

Our moneys are loaned on first mortgages on real estate and our members' certificates of stock, ninety per cent of which is loaned on homes. We have no farm loans. Our moneys are loaned in the cities of two States.

The building and loan associations of the United States have been proven fundamentally sound, and afford the highest degree of safety. With a small beginning one hundred years ago, the total assets are now nearly nine billion dollars.

We court investigation.

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JACKSONVILLE, FLORIDA

ASSETS $2,840,133.91

Each quarter since organization in 1921 this Company has earned and paid dividends at the yearly rate of not less than

7%

Full Information on Request

Texas

Our Dividend Rates are

6% or 8%

Full paid certificates yield 6%. Installment shares yield 6% or 8% depending on the type selected.

Write for full particulars

HOUSTON BUILDING AND LOAN ASSN.

Houston, Texas

Assets Over $7,000,000

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Double your money in 12 years with Safety

New issue of Progressive 6% Coupon Shares, dividends payable semi-annually. At this rate $1,000 grows to $2,000 in 12 years. Deposits as low as $5.00 monthly accepted. Under supervision of State Banking Dept. Write for full details and financial statement.

Progressive Bldg. & Loan Assn.

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Saving systematically is one reason why so many people are financially successful. You too can "get the habit" of saving regularly by subscribing to our monthly installment shares. Write for descriptive literature and convince yourself.

SERIAL BUILDING LOAN and SAVINGS INSTITUTION

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price marketwise. The issue did not, however, halt its upward rise after my selling, because it crossed 39 in 1927 and touched 55 in 1928. Following this it was again split 2-for-1 in 1929, and the new stock sold at 29⅜, equal to 58¾, or about 235 for my initial purchase at $5.

In addition to illustrating the profit possibilities in growing corporations of good management and sponsorship, this experience indicates the possibilities open to employees through stock purchase plans. At the start, all of the employees had an opportunity to make their subscription for shares at the same price. Some took advantage of the plan to share in the profits of their corporation—others passed up this chance for various reasons. None of the original employee stock buyers have ever regretted their choice.

The Magazine of Wall Street's Common Stock Index

(*Continued from page* 438)

companies that levy an assessment. In other words, we value such issues at exactly nothing when computing the group index for the balance of the year. If the assessment were paid, it frequently happens that the new issue declines enough in market price to make the old issue worth so much less than nothing that its presence in the group may all but wipe out its index, and thus establish an artificially low level for the Combined Average. This question of assessments is likely to assume much importance in computing the 1931 Index, and it has seemed prudent to face the problem resolutely before it is allowed to impair the Index's representative usefulness.

Industrial Tides

Investors and students of business economics will find much food for thought in the accompanying tabulation of secular movements in the group indexes. Manipulation may cause prices to move contrary to conditions in an industry over comparatively short periods of time; but the year to year price changes reflect business progress pretty faithfully. The most superficial examination of such a record cannot help put impress one with the fact that all lines of business are swept along with the general tide. Some prosper and suffer more than others; but neither investors nor business executives can afford to close their eyes to the rapidly shifting panorama of events in this restless age.

Constructive Work to Right the Business Machine

(*Continued from page* 414)

what it can do dynamically. It has demonstrated the impregnable powers of its defense, but it remains for it to demonstrate what it can do on the offensive. And after all, the best defensive policy, all the great generals tell us, is to attack. "Attack, attack, always attack!" said Marshal Foch when he was still defending.

Those who favor an aggressive rather than a passive policy of federal control maintain that credit should be nationally budgeted on a scale corresponding to the average expansion of business in the United States, which is about 4 per cent a year. Their idea is that if business were assured of such a growth of credit, the peaks would be taken off booms and the gulches out of the valleys of depression.

Danger of Credit Monopoly

Beyond the mechanical regulation of credit lies the control of credit in the sense of monopolistic direction, that is, really the control of money. The fear of a selfish and tyrannical money monopoly has haunted the minds of radical statesmen ever since the birth of the Republic.

Many years ago a congressional committee investigated "the money trust," which was popularly supposed to be virtually in the hands of the late J. Pierpont Morgan. Mr. Morgan then testified that arbitrary control of credit in the United States was beyond the power of any one man or any group; but consolidation, branching, grouping, and affiliation of banks since his time has undoubtedly brought theoretical potential control into a very small circle of banks and bankers. The Federal Reserve System was partly designed as a check to banking power concentration, through the prevention of the massing of reserves in New York City. On the whole, though, it may be concluded that centralization of banking power can no more be prevented than industrial centralization, but that the powers of the Federal Reserve System, which derives its authority from the Federal government, are or can be made such that tyrannical control, should it develop, can be held in check.

A grave problem of credit control is its use allocation. Too much credit may be devoted to the financing of long-time commercial credit, as in the case of installment selling; or bonded indebtedness (capital credit), for instance, may be excessively promoted at the expense of commercial credit. This problem has been at the front for more than two years, because maldistribution of credit as between speculation and ordinary business is charged with an important if not determining part in the stock market crash and in the incipient recession of business which preceded it. At the height of the boom New York Stock Exchange brokers' loans aggregated 8,500 million dollars, and as liquidation proceeded after the crash the banks were compelled to increase their direct securities loans as the total of brokers' loans from all sources decreased. It is manifest that speculation was excessively financed, even although it may be maintained that the banks adequately took care of other credit requirements—at a price. While it is impossible to divide the sheep from the goat loans, it is possible that legislation aimed in that direction may be forthcoming. But to a considerable extent, the responsibility for unwise allocation of credit is largely that of individual bank management.

The general situation as to the subject of judicious control of bank credit in general in the United States may be summed up as still in an evolutionary process. The negative or defensive control has been well developed, but it is too cautiously utilized; while initiative and directive control is still in an infantile stage. The whole problem of constructive credit control is inextricably entangled with the stupendous problem of the general budgeting and orderly forward control of the commercial operations of the whole nation, and, indeed, of the entire world.

How Far Can the Market Go?

(*Continued from page* 409)

still on the side lines, however, is a favorable omen.

The strong financial position of most of the larger corporations, in spite of the reductions in profits last year, is another favorable market factor on the financial side of the picture. Corporations generally have become well supplied with cash resources during the past few years. A large portion of the physical expansion in those years, prior to the decline in the market, was financed out of earnings. Additional cash reserves were obtained in tremendous amounts through the sale of capital shares during the height of the market boom. Whether the stockholders find themselves well repaid at the mo-

ment for their financial assistance to the industrial expansion of the past decade is quite a debatable question. There is no doubt, though, that the strong financial position which these corporations find themselves in at present will be an important factor in the revival of both business and the security markets when the tide turns.

With full recognition of both the favorable and the unfavorable aspects in the current stock market situation, we believe that there is more to be gained than lost by deferring commitments until the market is a little further along in the period of irregularity which we believe is immediately ahead. Undoubtedly the occasions of weakness that develop in these weeks before us will uncover investment opportunities in individual issues, but we prefer to take the more conservative view insofar as letting down the bars on general buying recommendations.

For Features to Appear in the Next Issue See Page 403

Financial Notices

Dividends and Interest

Borden's

COMMON DIVIDEND No. 84

A quarterly dividend of seventy-five cents (75¢) per share has been declared on the outstanding common stock of this Company, payable March 2, 1931, to stockholders of record at the close of business February 14, 1931. Checks will be mailed.

The Borden Company

WM. P. MARSH, *Treasurer.*

The Mengel Company

The Board of Directors of The Mengel Company, January 16, 1931, declared the regular quarterly dividend of 1¾% on the Preferred Capital Stock of the Company, payable March 1st, 1931, to Stockholders of record at the close of business February 14th, 1931.

J. C. DORMAN, Secretary.

Any Preferred Stock to be transferred should be sent to the office of the Guaranty Trust Company of New York, 140 Broadway, New York City, or to the office of The Mengel Company, Eleventh and Dumesnil Streets, Louisville, Ky.

J. C. DORMAN, Secretary.

Louisville, Ky., January 16th, 1931.

Dividends and Interest

The West Penn Electric Company

NOTICE OF DIVIDENDS

The Board of Directors has declared the regular quarterly dividends of one and three-quarters per cent. (1¾%) upon the 7% Cumulative Preferred Stock, and of one and one-half per cent. (1½%) upon the 6% Cumulative Preferred Stock of The West Penn Electric Company, for the quarter ending February 15, 1931, both payable on February 16, 1931, to stockholders of record at the close of business on January 20, 1931.

G. E. MURRIE, *Secretary.*

Cluett, Peabody & Co., Inc.

COMMON STOCK DIVIDEND NO. 62

The Board of Directors has declared a quarterly dividend of $.75 per share on the Common Stock of the Company payable February 2, 1931 to Stockholders of record at the close of business January 21, 1931. Checks will be mailed by the Irving Trust Company of New York.

Troy, N. Y. D. A. GILLESPIE,
January 6, 1931. Treasurer.

Dividends and Interest

COLUMBIA GAS & ELECTRIC CORPORATION

January 8, 1931.

THE Board of Directors has declared this day the following quarterly dividends:

Cumulative 6% Preferred Stock Series A
No. 17, $1.50 per share

Cumulative Preferred Stock 5% Series
No. 7, $1.25 per share

Common Stock (no par value)
No. 17, 50¢ per share

payable on February 16, 1931, to shareholders of record at close of business January 20, 1931

EDWARD REYNOLDS, JR.,
Vice-President & Secretary

UNITED STATES REALTY & IMPROVEMENT COMPANY

111 BROADWAY, NEW YORK

The directors of this company today declared a dividend of seventy-five cents ($.75) on each share of its stock without nominal or par value issued and outstanding, payable on March 16th, 1931, to holders of record of such stock at the close of business on February 16th, 1931.

A. T. BLACK, Treasurer.

Dated, New York, January 15th, 1931.

Florida | **Florida** | **Georgia**

GO TO FLORIDA THIS YEAR

Hotel Royal Worth at West Palm Beach

OFFERING, as it does, all the fundamentals and all the niceties of the most modern of hotel service, Hotel Royal Worth has become the preference of many who have made it a habit to visit the Palm Beaches every year. This delightful airy hotel, on the shores of Lake Worth, is an outstanding example of the excellent service of the Florida-Collier Coast Hotels, and, of course, the rates are modest. Wire for reservations or write for folder to James A. Lynch, Manager.

Hotel ROYAL WORTH

WEST PALM BEACH, FLORIDA

ONE OF THE FLORIDA-COLLIER COAST HOTELS
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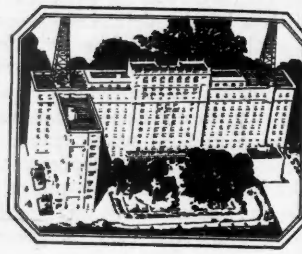

In Atlanta

. . . the address of prestige (if we do say it ourselves) is the Biltmore. Here you will find above par service, appointments and cuisine at these below par rates:

Single	$4, $5, $6
30 rooms	$3.50
Double	$6, $8, $10

ATLANTA BILTMORE

"The South's Supreme Hotel"

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Early Spring at Sedgefield brings back the urge to hear again the creak of saddle leather and the hollow sound of pounding hoofs over trail and field—to stand up and smack a golf ball with a full body swing that thrills. Overnight from New York. Reservations desired.

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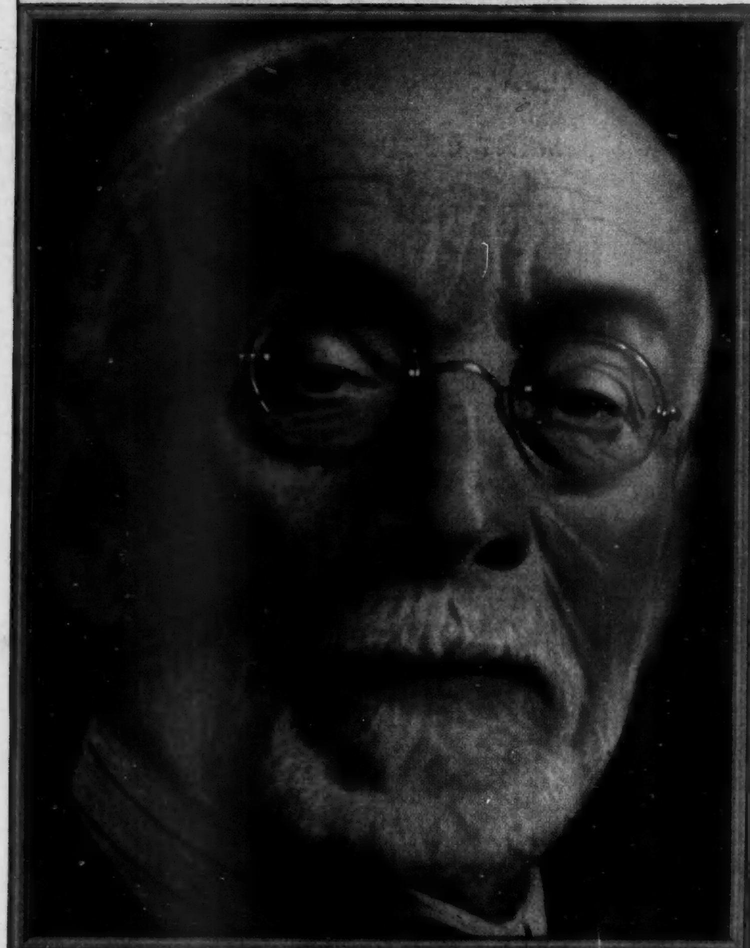
JOHN C. WALLER, MGR.

A Message to Presidents:

Create investor confidence in your securities by publishing your dividend notices, when declared, in these columns. Such publication brings the investment features of your stock to the attention of stockholders of record who read The Magazine of Wall Street consistently for financial guidance.

"A DISTINCT CONTRIBUTION"



Says

AUGUST HECKSCHER

Noted Philanthropist

Chairman of the Heckscher Foundation for Children; President Child Welfare Committee of America

Director:
Empire Trust Company
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"The most laudable service that any industry can render is the attempt to benefit its patrons. That is the cardinal principle of philanthropy. And so, interested as I always am in modern developments, I consider that your use of the Ultra Violet Ray in your Toasting of LUCKY STRIKE is a distinct contribution of which the public will whole-heartedly approve."

A Heckscher

Everyone knows that sunshine mellows—that's why TOASTING includes the use of the Ultra Violet Ray. LUCKY STRIKE—the finest cigarette you ever smoked, made of the finest tobaccos—the Cream of the Crop—THEN—"IT'S TOASTED." Everyone knows that heat purifies and so TOASTING removes harmful irritants that cause throat irritation and coughing. No wonder 20,679 physicians have stated LUCKIES to be less irritating!

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Your Throat Protection—against irritation—against cough

Consistent with its policy of laying the facts before the public, The American Tobacco Company has invited Mr. August Heckscher to review the reports of the distinguished men who have witnessed LUCKY STRIKE'S famous Toasting Process. The statement of Mr. Heckscher appears on this page.